Q2 FY2024/12

Financial Results

oRo Co., Ltd.　Code: 3983

oRo

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Q2 FY2024/12
Financial Results Highlights

01

Consolidated

Q2 FY2024/12 Financial Results Highlights

Q2 FY2024/12 Consolidated Financial Results		
Revenue	**3,815**million JPY	YoY **+16.3%**
Operating Profit	**1,309**million JPY	YoY **+11.4%**

Revenue and operating profit remained steady compared to the plan.

Cloud Solutions (CS)		
Revenue	million JPY **2,335**	YoY **+10.6%**
Operating Profit	million JPY **971**	YoY **-0.4%**

Revenue was worse than planned, while operating profit remained steady.

- Even accounting for the rebound decrease from last year's response to the Qualified Invoice-Based Method, service provision to existing customers is delayed by 89 million yen (Details: P.14)
- While revenue was worse than planned, operating profit remains on track due to cost savings in outsourcing, etc

Marketing Solutions (MS)		
Revenue	million JPY **1,480**	YoY **+26.6%**
Operating Profit	million JPY **337**	YoY **+41.1%**

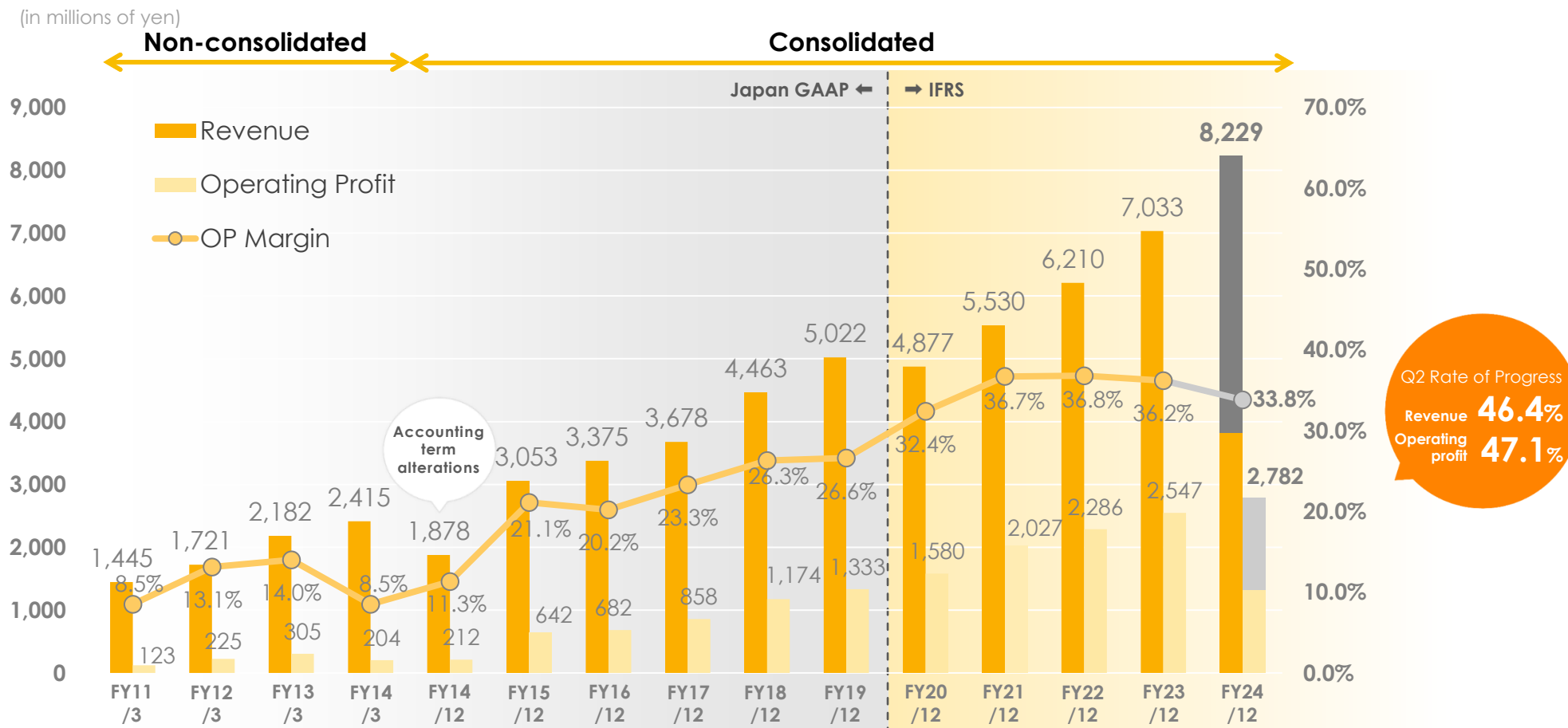Revenue remained steady compared to the plan, while operating profit progressed favorably.

- Following Q1, new customer acquisition, a challenge in the previous period, improved through web production-related projects
- With a slight increase in revenue, operating profit is progressing favorably compared to the plan

* Progress expression to the plan: great > favorable > steady > worse > weak

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Trend in Revenue, Operating Profit and Operating Margin

Recorded revenue 3,815 million yen, +16.3% YoY; operating profit 1,309 million yen, +11.4% YoY

(in millions of yen)

*Was not audited by KPMG AZSA LLC, prior to and in the fiscal year ended March 31, 2014.
*Following the change in accounting policy in the fiscal year ended December 31, 2018, net sales for the Marketing Solutions Business are now reported on a net basis from the fiscal year ended December 31, 2017, instead of a gross basis previously used.
*Starting from the fiscal year ended December 31, 2021, the Company has adapted International Financial Reporting Standards (IFRS) instead of Japanese GAAP. Accordingly, revenue for the fiscal year ended December 31, 2020 indicates the amount after retrospective application of the change.

Breakdown of Revenue by Business Segment

Steady recurring revenue growth; second half focus on recovering customization revenue by solving clients' business challenges

Revenue decline following last year's Qualified Invoice-Based Method response limited CS segment growth to 4.0% YoY. However, full-scale operations by several large customers in Q2 drove a 35.3% YoY increase in maintenance fee, SaaS, and other monthly service fees.

(in millions of yen)

Old segment ⇐   ⇒ New segment

Legend:
- dxeco, Semrush, and other products
- ZAC ERP installation consultation and customization
- ZAC license fee
- Maintenance fee, SaaS and other monthly service fees
- Reforma PSA

	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2
dxeco, Semrush, and other products	8	4	1	5	4	18	23	8	10	29	23	22	55	61	78	71	81	72
ZAC ERP installation consultation and customization	177	123	158	217	143	174	113	132	127	165	163	244	183	273	260	156	151	117
ZAC license fee	134	148	163	160	194	205	188	213	193	203	191	203	189	208	200	203	207	196
Maintenance fee, SaaS and other monthly service fees	306	333	348	362	371	392	411	414	431	450	455	478	511	554	625	690	673	749
Reforma PSA	20	23	25	25	27	29	31	33	35	37	37	36	37	37	39	40	41	44

* Starting from FY2024/12, the Company has changed the reporting segments.
  Accordingly, revenue for FY2023/12 is shown after retrospective application of this change.
* Starting from FY2021/12, the Company has adapted International Financial Reporting Standards (IFRS) instead of Japanese GAAP.
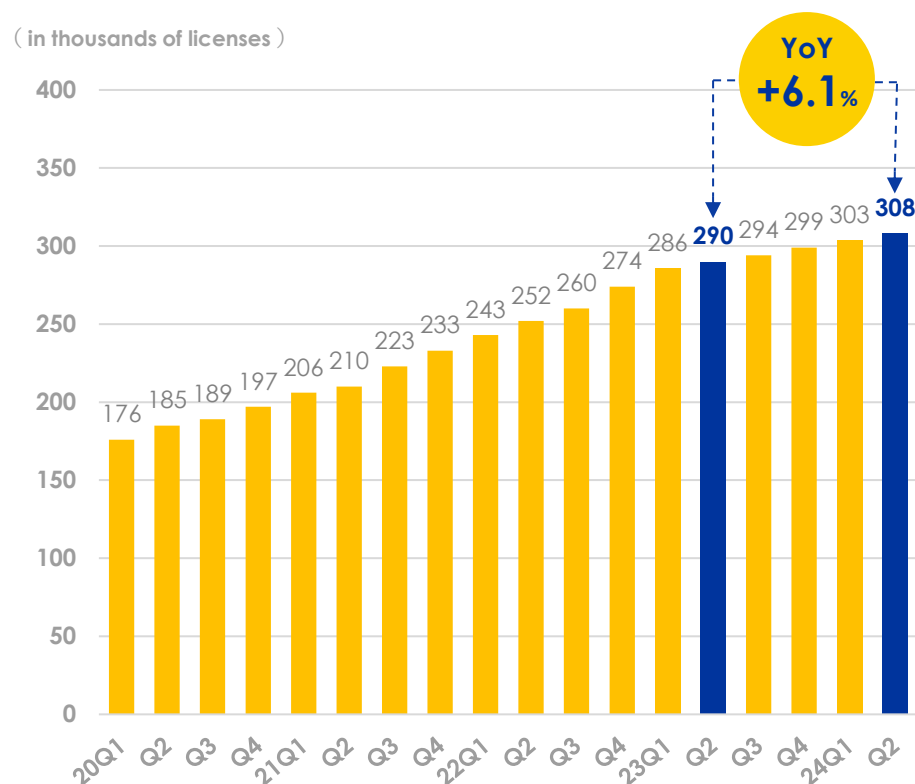 Accordingly, revenue for FY2020/12 indicates the amount after retrospective application of the change.
* The values for each quarter of FY 2020/12 was not audited by KPMG AZSA LLC.
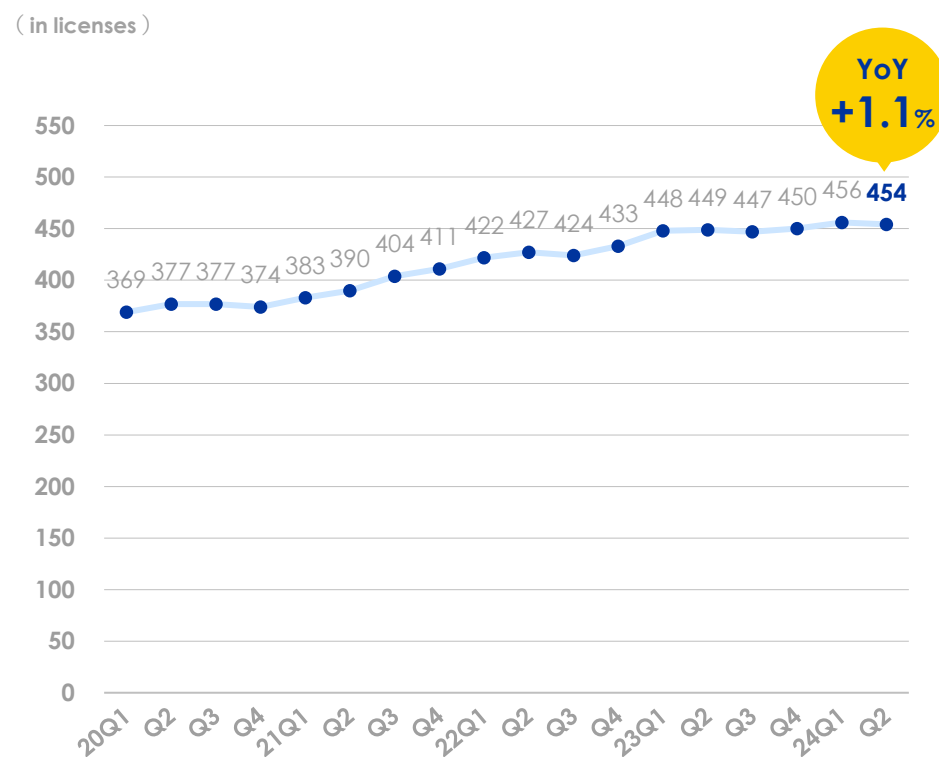
Trend in the Number of Active Licenses

Continued growth in the number of contracted licenses through the acquisition of new customers and increased in business with existing customers

Trend in the number of active licenses

（in thousands of licenses）

YoY **+6.1**%

176 185 189 197 206 210 223 233 243 252 260 274 286 **290** 294 299 303 **308**

20Q1 Q2 Q3 Q4 21Q1 Q2 Q3 Q4 22Q1 Q2 Q3 Q4 23Q1 Q2 Q3 Q4 24Q1 Q2

* Number of active licenses
  = Cumulative number of licenses sold - Cumulative number of licenses terminated

Trend in the number of active licenses per active client

（in licenses）

YoY **+1.1**%

369 377 377 374 383 390 404 411 422 427 424 433 448 449 447 450 456 **454**

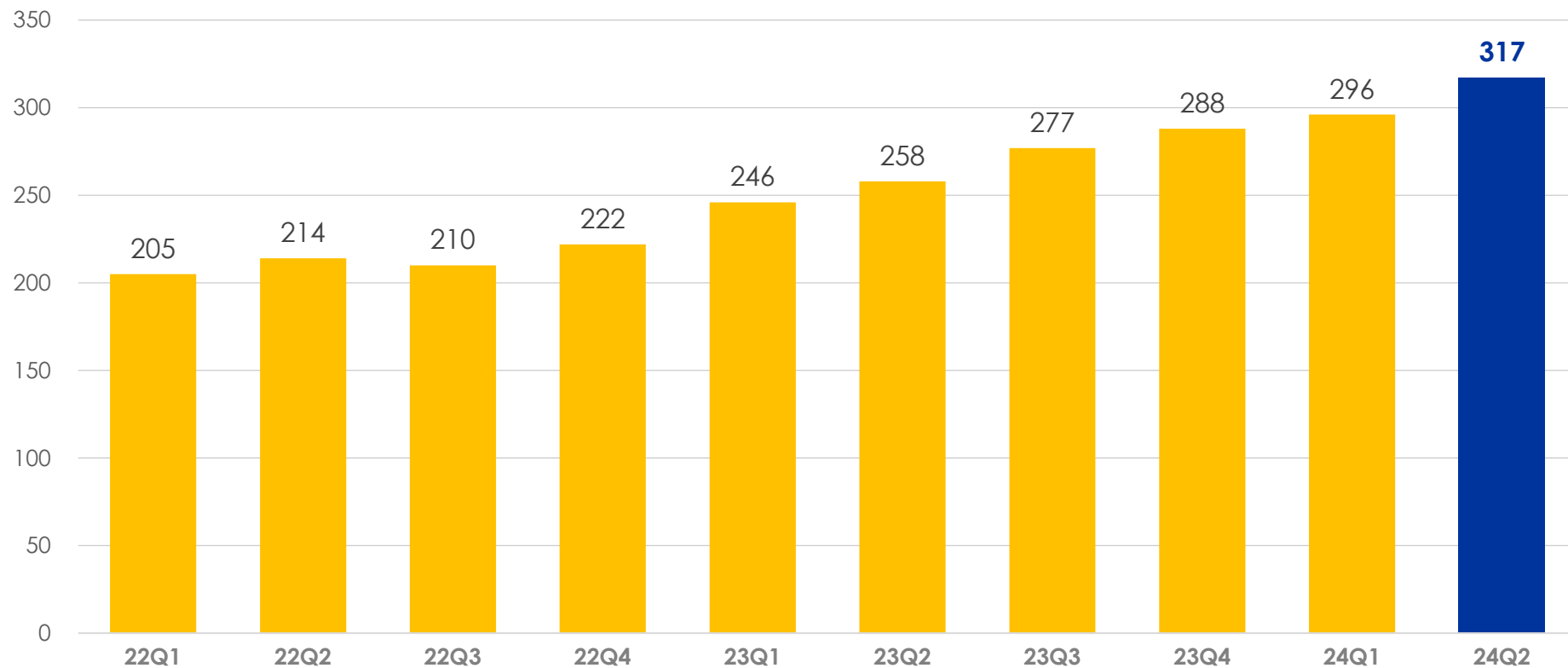20Q1 Q2 Q3 Q4 21Q1 Q2 Q3 Q4 22Q1 Q2 Q3 Q4 23Q1 Q2 Q3 Q4 24Q1 Q2

* Number of active licenses per active client
  = Number of active licenses / The number of active clients at the end of the quarter

Trend in MRR

Due to the growth in the number of active licenses, MRR has grown steadily

+23.0% YoY and +7.1% QoQ
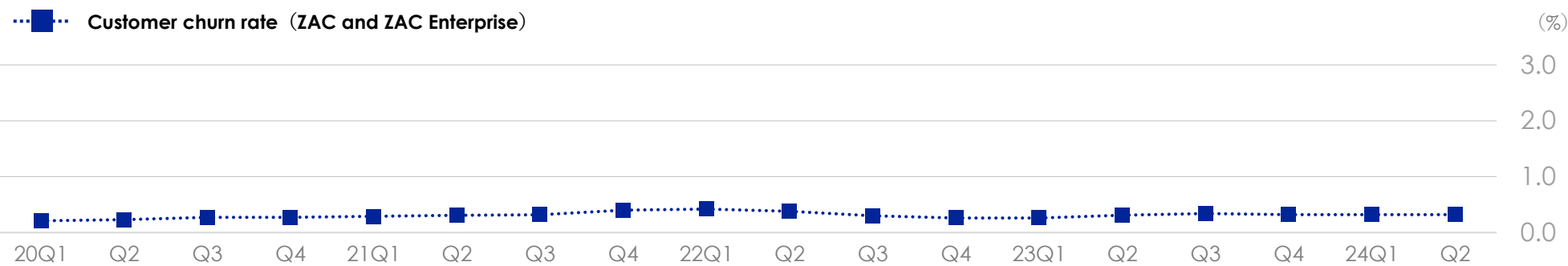
(in millions of yen)

*MRR: Stands for Monthly Recurring Revenue, which is the regular monthly revenue. It is calculated as the total sum of "ZAC License Fees" and "Maintenance Fees, SaaS, and Other Monthly Service Fees" for the last month of the respective quarter.

Monthly Churn Rate, the Numbers of New Contracts and Churns

Trend in Monthly Customer Churn Rate

The trend remains steady, hovering around 0.3%. Starting FY2024/12, we are enhancing support for client ZAC adoption.

*Monthly churn rate: churn rate calculated by moving average of monthly churn customers / customers at beginning of the month for the last 12 months

Trend in the Number of New Contracts and Churns

The number of new contracts has recovered to 50.7% of the full-year forecast of 67.
Revising contract forms for small and medium-sized enterprises has been effective.
Churn, as in Q1, was mainly due to business closures or transitions to parent company systems from mergers and acquisitions.

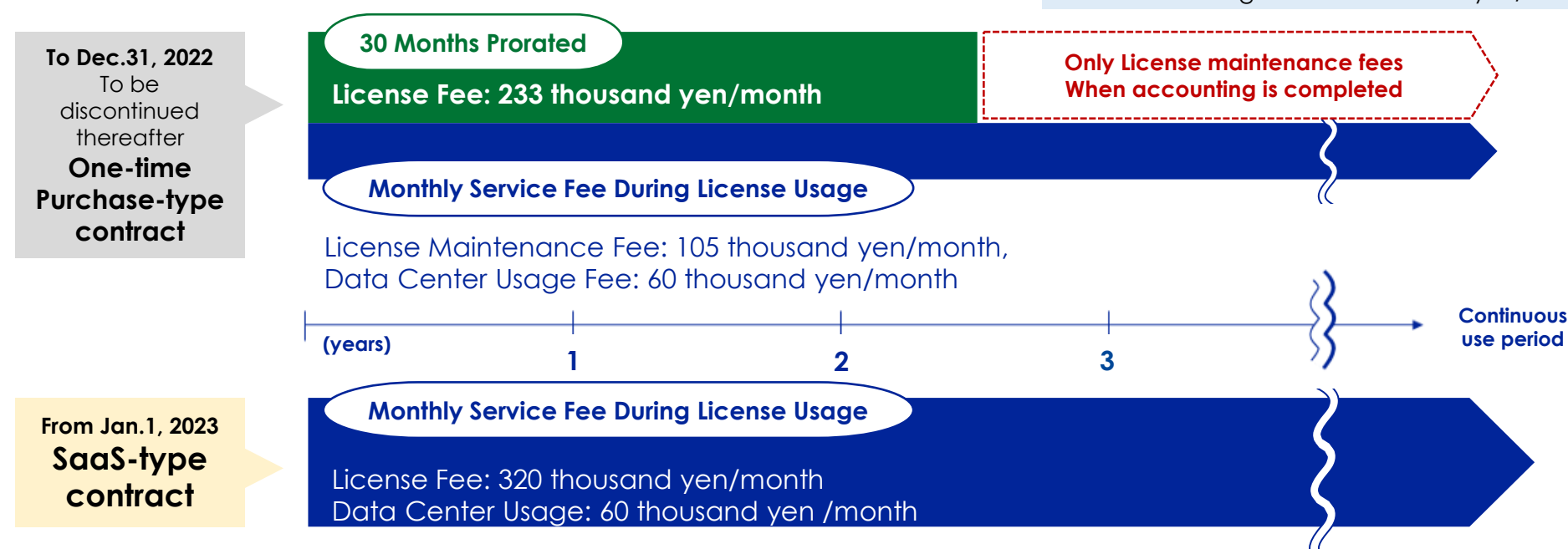|	20/12 Q1	20/12 Q2	20/12 Q3	20/12 Q4	21/12 Q1	21/12 Q2	21/12 Q3	21/12 Q4	22/12 Q1	22/12 Q2	22/12 Q3	22/12 Q4	23/12 Q1	23/12 Q2	23/12 Q3	23/12 Q4	24/12 Q1	24/12 Q2
Number of New Contracts	22	19	14	34	17	6	21	19	21	15	23	28	13	16	16	9	13	21
Number of Churns	4	7	5	11	5	8	7	5	11	3	0	7	9	7	4	3	11	9

Cloud Solutions

License Price Revisions and Revenue Recognition

As of January 1, 2023, the sales format of ZAC/ZAC Enterprise licenses, one-time Purchase-type contracts (lump-sum perpetual license type) has been discontinued, and only SaaS-type contracts (monthly subscription fee type) is now available.

Revenue Recognition of License Sales
(Model case for 100-person client)
*The green and blue areas represent the revenue amount.

Sales Management: 20 licenses
Purchase Management: 20 licenses
Time Management: 100 licenses
Expense Control: 100 licenses
Data center usage fee: 60 thousand yen/month

To Dec.31, 2022
To be discontinued thereafter
One-time Purchase-type contract

30 Months Prorated

License Fee: 233 thousand yen/month

Only License maintenance fees When accounting is completed

Monthly Service Fee During License Usage

License Maintenance Fee: 105 thousand yen/month,
Data Center Usage Fee: 60 thousand yen/month

(years)   1   2   3   **Continuous use period**

From Jan.1, 2023
SaaS-type contract

Monthly Service Fee During License Usage

License Fee: 320 thousand yen/month
Data Center Usage: 60 thousand yen /month

*The above revisions do not apply to customers who have signed and used a one-time purchase contract by December 31, 2022.
 For details, please refer to the "Notice of Revisions of License Fees for Cloud-based ERP ZAC and ZAC Enterprise" disclosed on November 14, 2022.

*After April 1, 2023, the data center usage fee has increased by 20% in stages.

Cloud Solutions

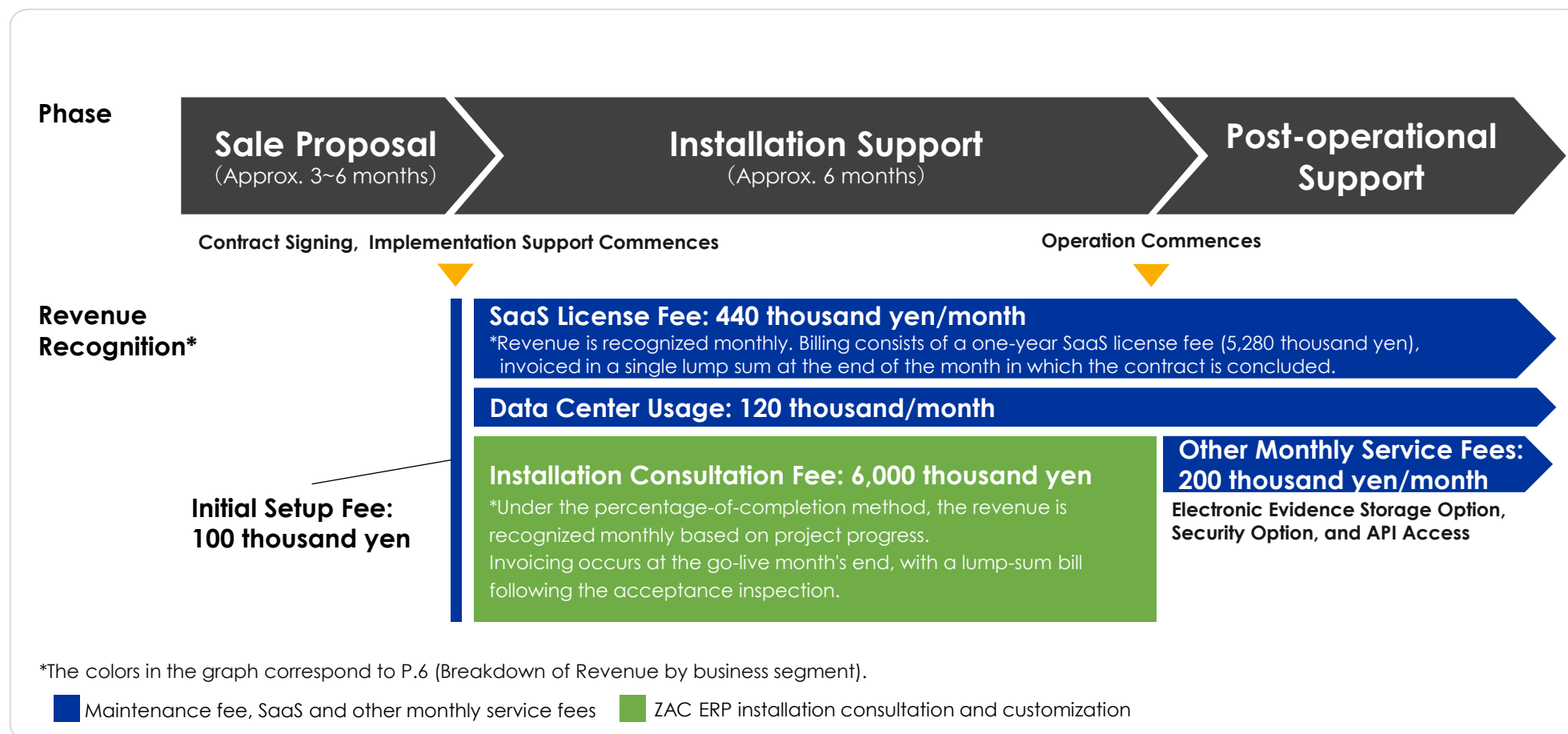# Schedule and Revenue Recognition after New ZAC Contract

Model case for a client with 200 employees

License Structure
Sales Management: 20 licenses, Purchase Management: 20 licenses, Time Management: 200 licenses, Expense Control: 200 licenses
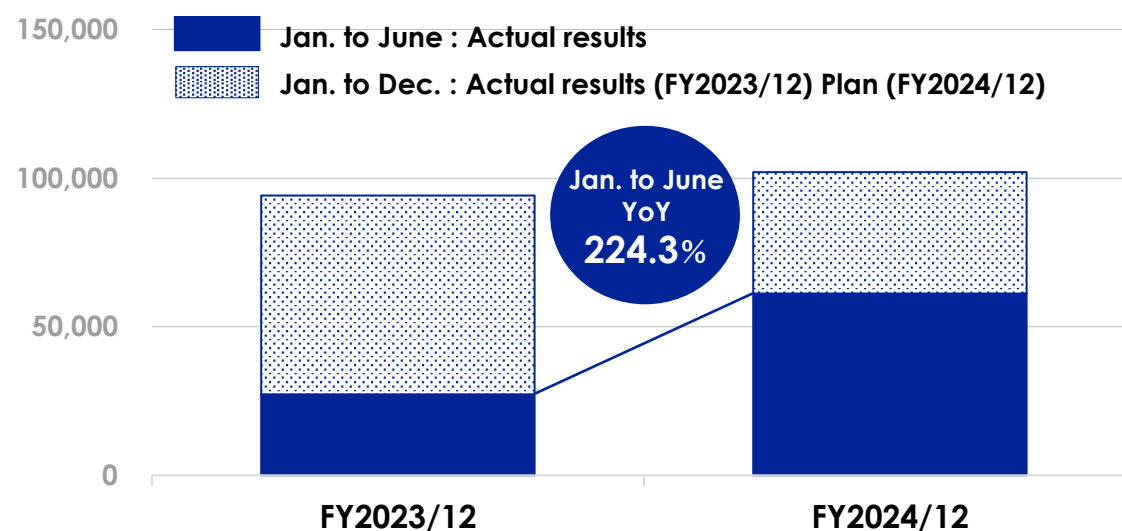
Additional Monthly Service Configurations:
Electronic Evidence Storage Option, Security Option, API Access

Phase

| Sale Proposal (Approx. 3~6 months) | Installation Support (Approx. 6 months) | Post-operational Support |

Contract Signing, Implementation Support Commences

Operation Commences

Revenue Recognition*

SaaS License Fee: 440 thousand yen/month
*Revenue is recognized monthly. Billing consists of a one-year SaaS license fee (5,280 thousand yen), invoiced in a single lump sum at the end of the month in which the contract is concluded.

Data Center Usage: 120 thousand/month

Other Monthly Service Fees: 200 thousand yen/month
Electronic Evidence Storage Option, Security Option, and API Access

Installation Consultation Fee: 6,000 thousand yen
*Under the percentage-of-completion method, the revenue is recognized monthly based on project progress.
Invoicing occurs at the go-live month's end, with a lump-sum bill following the acceptance inspection.

Initial Setup Fee: 100 thousand yen

*The colors in the graph correspond to P.6 (Breakdown of Revenue by business segment).

■ Maintenance fee, SaaS and other monthly service fees　■ ZAC ERP installation consultation and customization

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Efforts for Customer Acquisition

Advertising Expenses (only ZAC and Reforma PSA)

(in thousands of yen)

Legend:
- **Jan. to June : Actual results**
- **Jan. to Dec. : Actual results (FY2023/12) Plan (FY2024/12)**

Jan. to June YoY **224.3**%

Chart categories: FY2023/12, FY2024/12

Rate of progress against the plan:

60.0% (As of June 30, 2024)

Progress in acquiring sales qualified leads remains sluggish, but securing appointments is recovering. Business cards were successfully collected at exhibitions like Japan IT Week in April, and TEL sales have generated results by leveraging new services such as IT asset management options.

Additionally, we are enhancing content creation to align with potential clients' interests, aiming for further success through web advertising.

Plans for the Second Half

To achieve the annual target of 67 new contracts, budget will be allocated to initiatives expected to yield results. To maximize the number of sales qualified leads, alliances with sales agencies with a strong customer base will be strengthened, aiming to receive referrals for both large and small to medium-sized prospective clients.

Cloud Solutions

Efforts for Customer Acquisition

To get more new clients and maximize MRR, we implemented the following initiatives:

Strengthening Collaboration with Sales Agents

To increase the number of sales qualified leads (SQLs), the sales planning team, established in Q2 2024, is actively working to strengthen collaboration with sales agents. The team is planning sales activities tailored to the specific traits of each sales agent and the regional characteristics of their branches to acquire new clients, including both large enterprises and small and medium-sized businesses.

By collaborating with sales agents, we can reach decision-makers among potential clients that we could not access through our own approaches alone. Therefore, we will continue to focus on strengthening our partnership with sales agents.

Development and Provision of Optional Functions

In addition to offering "dxeco" and "Hayasub" as ZAC options (the "IT Asset Management Option" and "Subscription Management Option", respectively), we launched a HubSpot integration option, a customer platform equipped with CRM, in Q2 2024. This new option enables detailed management of sales and marketing activities within HubSpot, allowing for early-stage opportunity and cost management. This integration is expected to help users provide more accurate profit and loss forecasts, which in turn is expected to increase our new contracts and boost MRR through cross-selling to existing clients.

※ "HubSpot" is a service provided by HubSpot Japan, Inc.

Reasons for Worse Revenue Progress and Measures for H2

"ZAC ERP installation consultation and customization" has not grown as expected.
In the second half, efforts will focus on solving customer issues

Reasons for Worse Revenue Progress

In the initial plan, after accounting for the rebound decrease from FY2023/12 demand related to the Qualified Invoice-Based Method (the Invoice System), revenue for the "ZAC ERP installation consultation and customization" segment was projected to be 357 million yen in the first half. However, delays in expected orders for Electric Books Maintenance Act compliance and API integration have caused this segment's first-half revenue to fall short of the plan by 89 million yen.
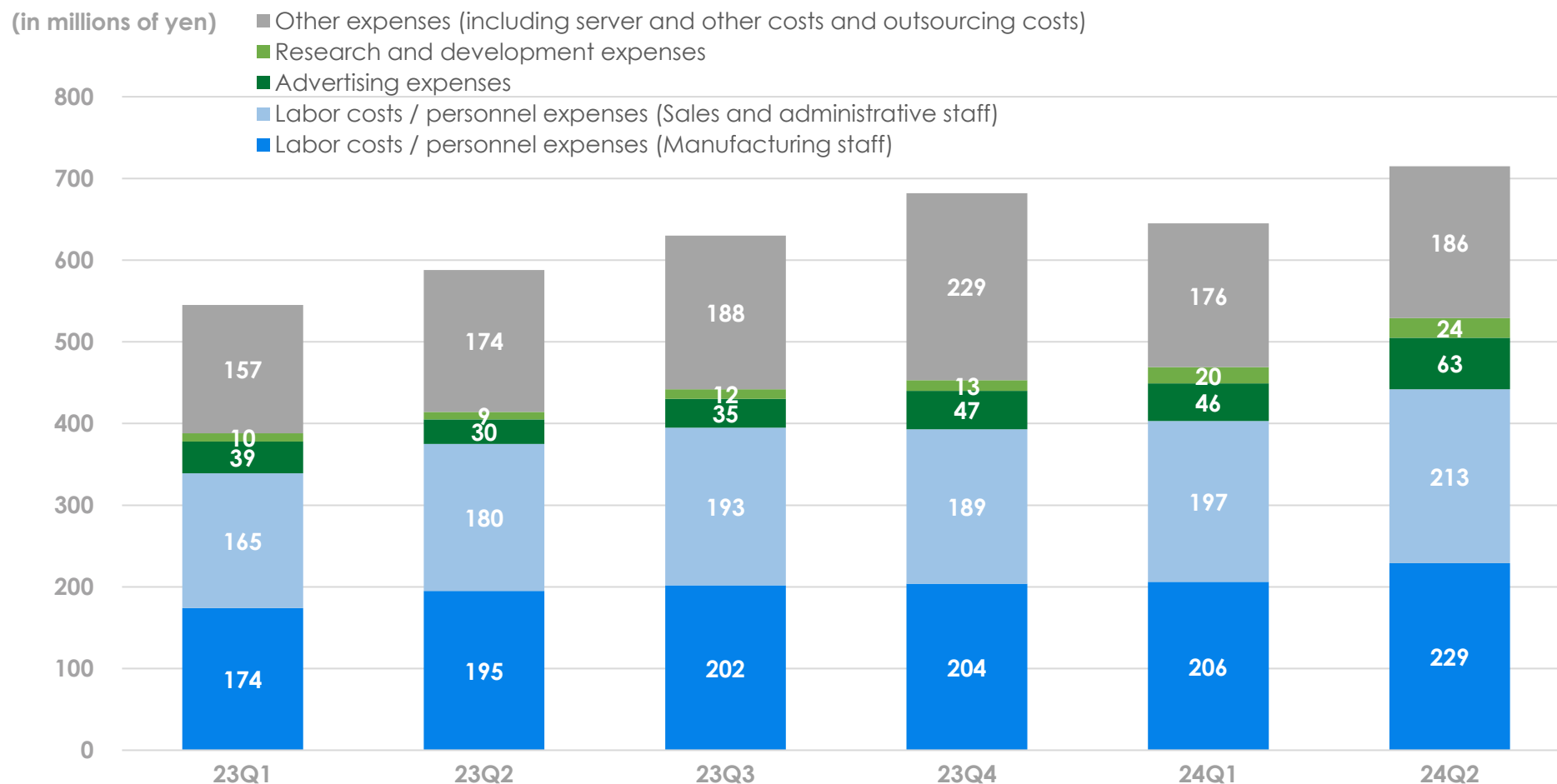
* Revenue from other segments of this business, including recurring revenue from maintenance fee, SaaS, and other monthly service fees, is generally progressing steadily according to the plan.

Measures for the Second Half

To recover progress in revenue for ZAC ERP installation consultation and customization, we are strengthening proposal activities by involving SE personnel in sales efforts, focusing on resolving operational challenges for existing customers with push-type proposals.
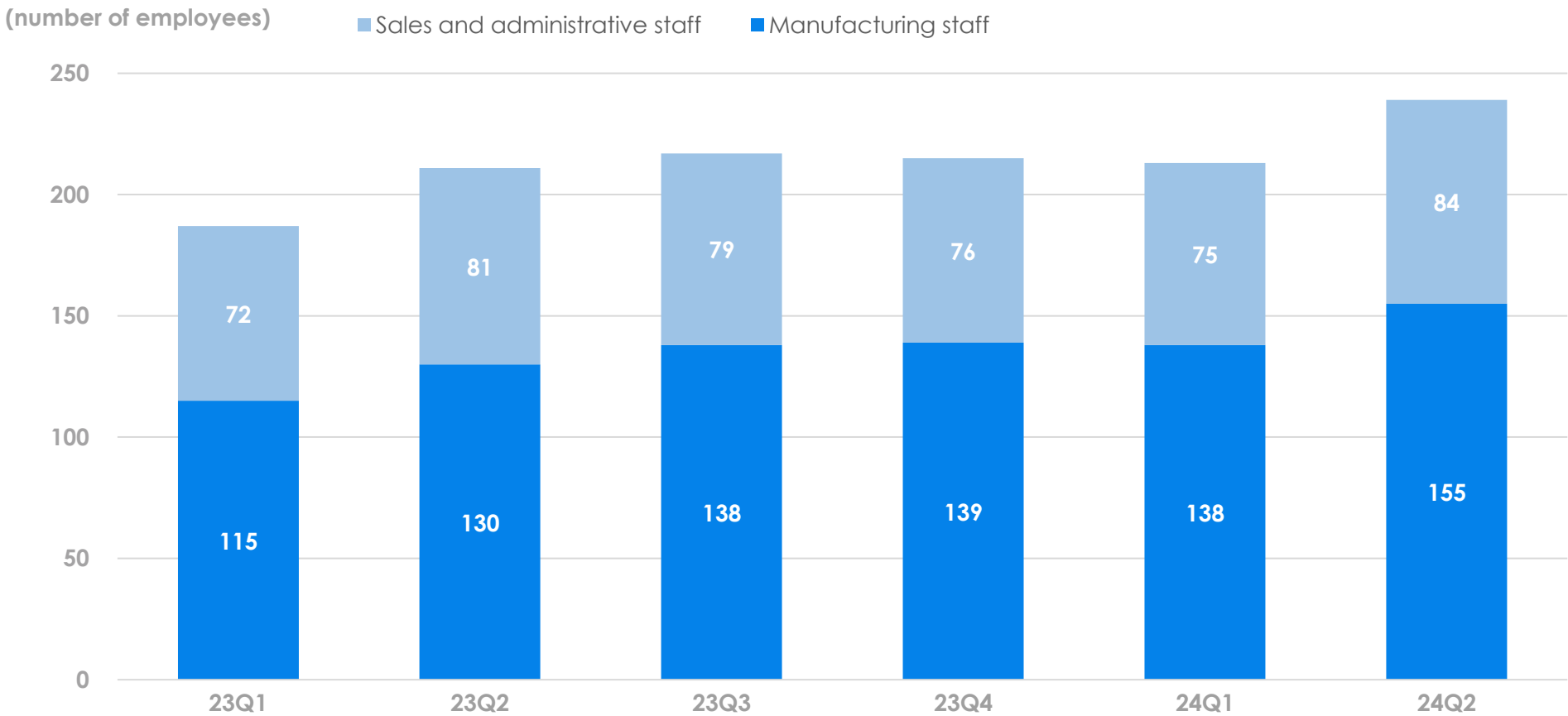
Breakdown of Expenses (Consolidated)

Cost increases driven by new graduate hires and a Microsoft price hike; participated in an exhibition in April

(in millions of yen)

- ▬ Other expenses (including server and other costs and outsourcing costs)
- ▬ Research and development expenses
- ▬ Advertising expenses
- ▬ Labor costs / personnel expenses (Sales and administrative staff)
- ▬ Labor costs / personnel expenses (Manufacturing staff)

	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2
Other expenses	157	174	188	229	176	186
Research and development	10	9	12	13	20	24
Advertising	39	30	35	47	46	63
Labor (Sales and administrative staff)	165	180	193	189	197	213
Labor (Manufacturing staff)	174	195	202	204	206	229

*Starting from FY2024/12, the Company has changed the reporting segments.
Accordingly, expense for FY2023/12 is shown after retrospective application of this change.

Breakdown of Personnel (Consolidated)

Substantial Q2 personnel increase due to new graduate hires, consistent with annual trends

(number of employees)

Legend: Sales and administrative staff (light blue), Manufacturing staff (blue)

	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2
Sales and administrative staff	72	81	79	76	75	84
Manufacturing staff	115	130	138	139	138	155

*Starting from FY2024/12, the Company has changed the reporting segments.
Accordingly, number of employees for FY2023/12 is shown after retrospective application of this change.
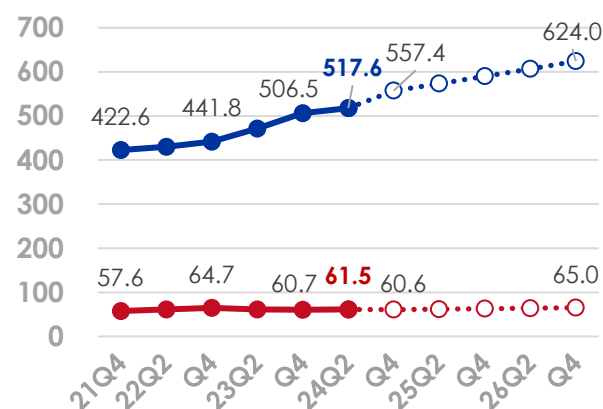*We disclose the average number of employees during the quarter (rounded to one decimal place) instead of at the end of the quarter.
Starting from Q2, FY2024/12, the Company has changed reporting of the number of full-time employees for the consolidated group, rather than just the three domestic companies.

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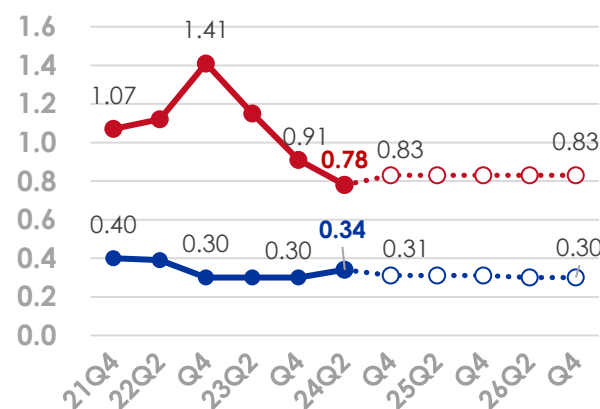# Progress on "Setting KPIs in the Earnings Outlooks for FY26/12"

Results as of the end of June, 2024

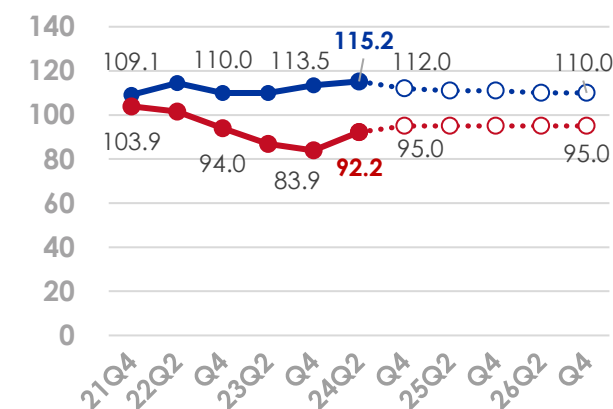(Blue: ZAC, ZAC Enterprise   Red: Reforma PSA   Solid line: Actual figures   Dotted line: Forecasts and outlooks)

ARPA (in thousands of yen) *

422.6 441.8 506.5 **517.6** 557.4 624.0	
57.6 64.7 60.7 **61.5** 60.6 65.0	

Customer Churn Rate (%) **

1.07 1.41 0.91 **0.78** 0.83 0.83
0.40 0.30 0.30 **0.34** 0.31 0.30

NRR (%) ***

109.1 110.0 113.5 **115.2** 112.0 110.0
103.9 94.0 83.9 **92.2** 95.0 95.0

X-axis (all charts): 21Q4 22Q2 Q4 23Q2 Q4 24Q2 Q4 25Q2 Q4 26Q2 Q4

ZAC, ZAC Enterprise

ARPA is expected to improve over the medium to long term as SaaS license revenue accumulates.

The Customer Churn Rate is projected to remain stable at current levels in the medium term.

NRR is expected to temporarily increase due to a 20% rise in data center usage fees for FY23/12 and a 20% increase in software maintenance fees for FY24/12 period.

Reforma PSA

As several customers, who have expanded their usage, transition to ZAC annually, NRR is expected to decrease, but segment revenue is anticipated to grow by over 15% annually.

*Abbreviation for Average Revenue Per Account
ARPA for ZAC and ZAC Enterprise are calculated based on monthly revenue related to "ZAC license fees, maintenance fees,SaaS and other monthly service fees" and "ZAC installation support and customization" per customer. ARPA for Reforma PSA is calculated by monthly revenue related to "ReformaPSA" per customer.
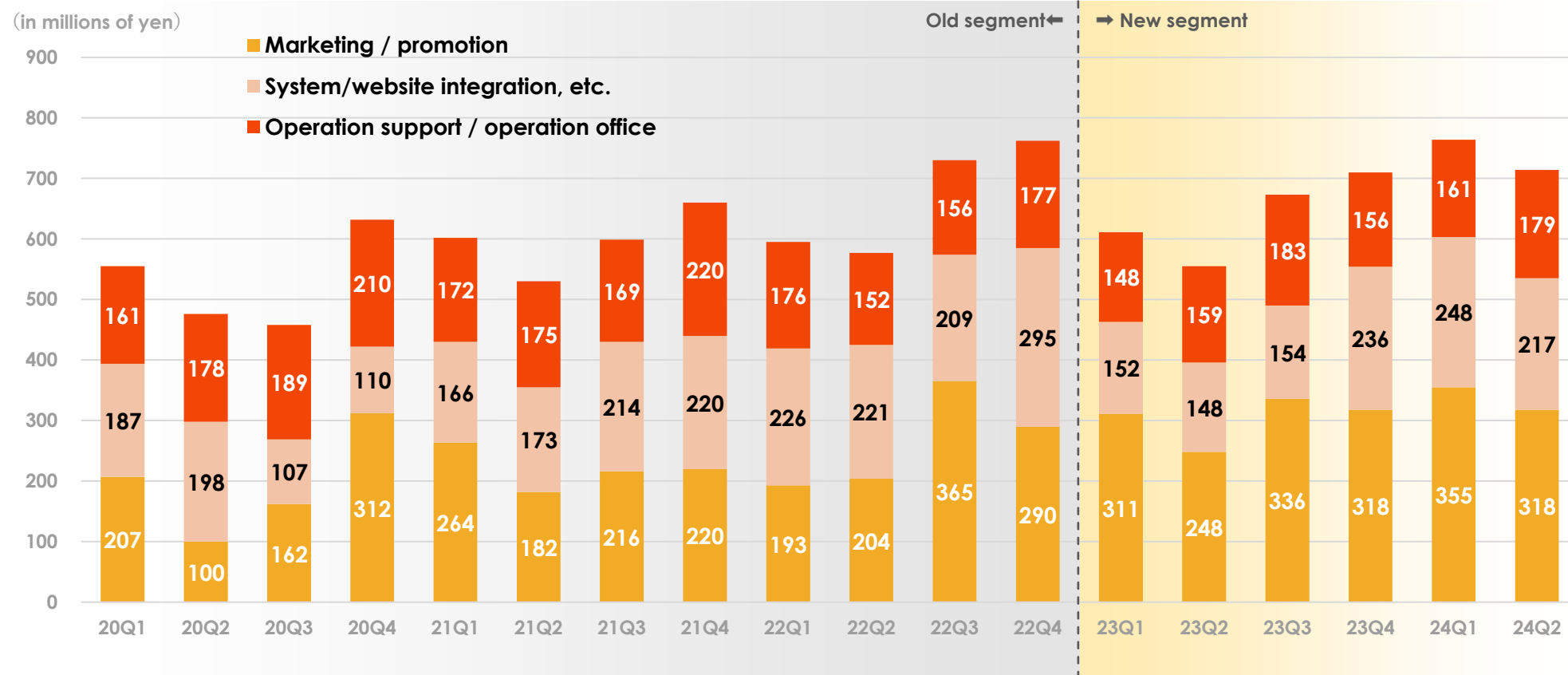**Monthly customer churn rate calculated using the most recent 12-month moving average of "number of customers canceled in the current month ÷ number of customers at the beginning of the month."
***Abbreviation for Net Retention Rate. ARR for period n ÷ ARR for period n-1 for customers with revenue in period n-1. For ZAC and ZAC Enterprise, calculation is based only on "maintenance fees, SaaS and other monthly service fees." For Reforma PSA, the calculation is based on the monthly usage fee of "ReformaPSA."

Breakdown of Revenue by Business Segment

Q1 collaboration with TOPPAN in web production drives revenue growth

Project delay in Q1 has been gradually resolved; steady progress in in the first half with a YoY increase of 28.4% and a QoQ decrease of 6.5%

（in millions of yen）

Old segment← | **➡ New segment**

Legend:
- ■ Marketing / promotion (yellow)
- ■ System/website integration, etc. (pink)
- ■ Operation support / operation office (red)

Quarter	Marketing / promotion	System/website integration	Operation support / operation office
20Q1	207	187	161
20Q2	100	198	178
20Q3	162	107	189
20Q4	312	110	210
21Q1	264	166	172
21Q2	182	173	175
21Q3	216	214	169
21Q4	220	220	220
22Q1	193	226	176
22Q2	204	221	152
22Q3	365	209	156
22Q4	290	295	177
23Q1	311	152	148
23Q2	248	148	159
23Q3	336	154	183
23Q4	318	236	156
24Q1	355	248	161
24Q2	318	217	179

* Starting from FY2024/12, the Company has changed the reporting segments.
   Accordingly, revenue for FY2023 is shown after retrospective application of this change.
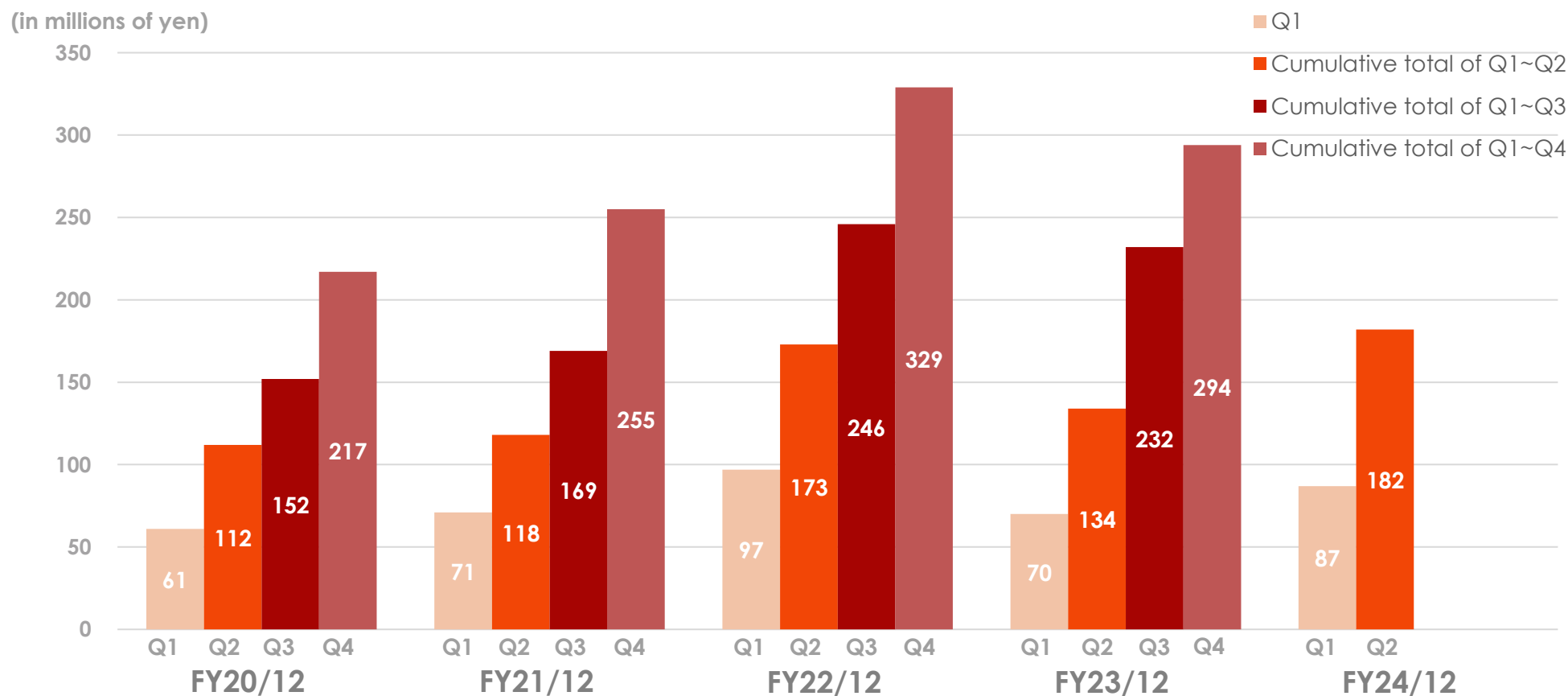* Starting from the fiscal year ended December 31, 2021, the Company has adapted International Financial Reporting Standards (IFRS) instead of Japanese GAAP.
   Accordingly, revenue for the fiscal year ended December 31, 2020 indicates the amount after retrospective application of the change.
* The values for each quarter of FY 2020/12 was not audited by KPMG AZSA LLC.

Marketing Solutions

Overseas Revenue

To further expand our revenue, we're focusing on recruiting to strengthen sales and production

Sales and strategic planner recruitment is underway to enhance our sales structure

(in millions of yen)

Legend:
- Q1
- Cumulative total of Q1~Q2
- Cumulative total of Q1~Q3
- Cumulative total of Q1~Q4

FY20/12: Q1: 61, Q2: 112, Q3: 152, Q4: 217
FY21/12: Q1: 71, Q2: 118, Q3: 169, Q4: 255
FY22/12: Q1: 97, Q2: 173, Q3: 246, Q4: 329
FY23/12: Q1: 70, Q2: 134, Q3: 232, Q4: 294
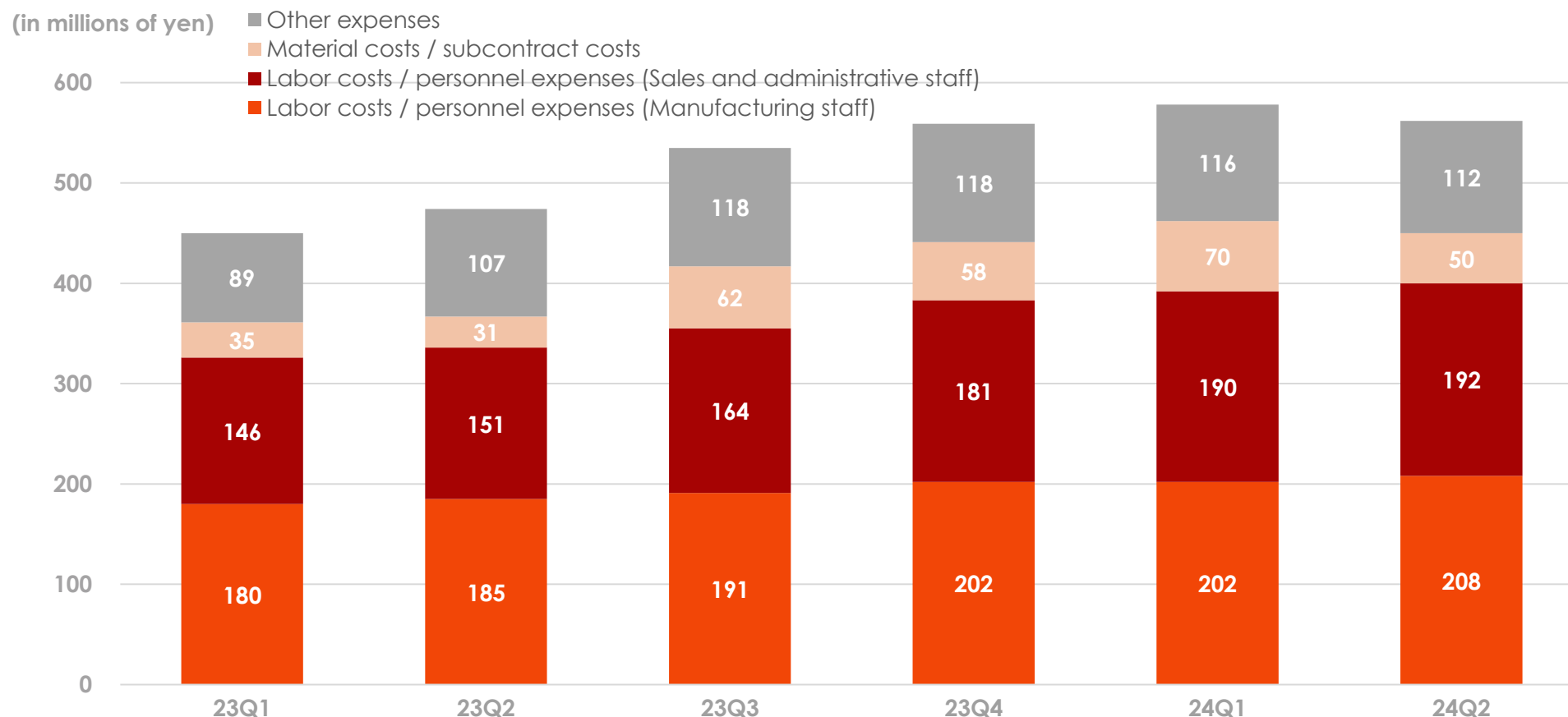**FY24/12:** Q1: 87, Q2: 182

* Starting from December 31, FY2021/12, the Company has adapted International Financial Reporting Standards (IFRS) instead of Japanese GAAP.
  Accordingly, revenue for December 31, FY2020/12 indicates the amount after retrospective application of the change.
* The values for each quarter of FY2020/12 was not audited by KPMG AZSA LLC.
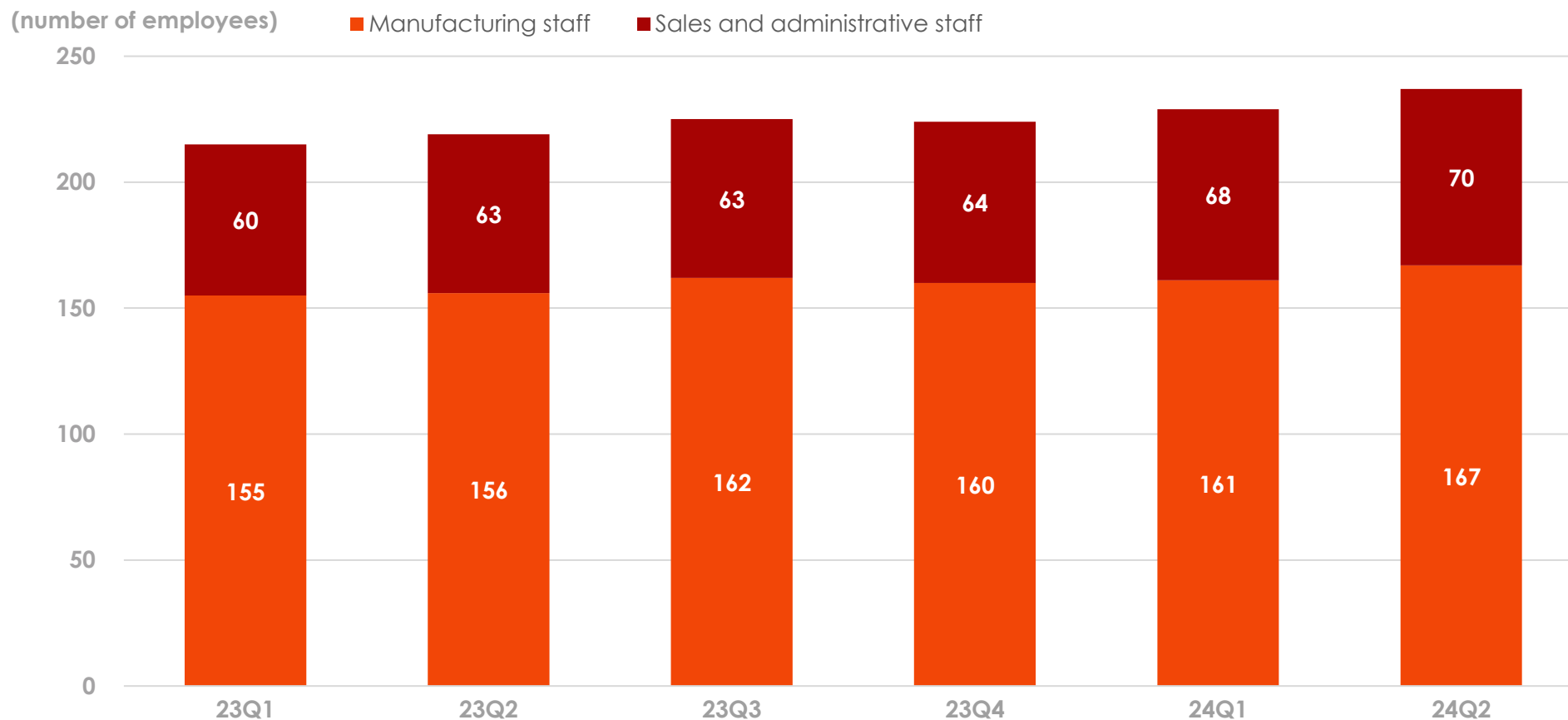
Breakdown of Expenses (Consolidated)

Increased labor costs / personnel expenses due to higher staffing, with subcontract costs rising YoY in proportion to revenue, despite a QoQ decline

(in millions of yen)

■ Other expenses
■ Material costs / subcontract costs
■ Labor costs / personnel expenses (Sales and administrative staff)
■ Labor costs / personnel expenses (Manufacturing staff)

	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2
Other expenses	89	107	118	118	116	112
Material costs / subcontract costs	35	31	62	58	70	50
Labor costs / personnel expenses (Sales and administrative staff)	146	151	164	181	190	192
Labor costs / personnel expenses (Manufacturing staff)	180	185	191	202	202	208

*Starting from FY2024/12, the Company has changed the reporting segments.
Accordingly, expense for FY2023/12 is shown after retrospective application of this change.

Breakdown of Personnel (Consolidated)

Ongoing recruitment primarily focused on experienced sales personnel

(number of employees) ■ Manufacturing staff ■ Sales and administrative staff

	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2
Sales and administrative staff	60	63	63	64	68	70
Manufacturing staff	155	156	162	160	161	167

*Starting from FY2024/12, the Company has changed the reporting segments.
Accordingly, number of employees for FY2023/12 is shown after retrospective application of this change.
*We disclose the average number of employees during the quarter (rounded to one decimal place) instead of at the end of the quarter.
Starting from Q2, FY2024/12, the Company has changed the reporting of the number of full-time employees for the consolidated group, rather than just the three domestic companies.

Progress Against Full-Year Forecasts

(in millions of yen)

	FY2024/12 Full-year forecasts [Composition ratio]	FY2024/12 Q2 Results [Composition ratio]	Rate of progress
Revenue	**8,229** [100.0%]	**3,815** [100.0%]	**46.4**%
Cloud Solutions	**5,270** [64.0%]	**2,335** [61.2%]	**44.3**%
Marketing Solutions	**2,959** [36.0%]	**1,480** [38.8%]	**50.0**%
Operating profit	**2,782** [33.8%]	**1,309** * [34.3%]	**47.1**%
Cloud Solutions	**2,214** [26.9%]	**971** [25.4%]	**43.8**%
Marketing Solutions	**568** [6.9%]	**337** [8.8%]	**59.4**%
Profit before tax	**2,824** [34.3%]	**1,444** [37.9%]	**51.2**%
Profit attributable to owners of the parent	**1,963** [23.9%]	**995** [26.1%]	**50.7**%

* Includes 1 million yen of other profit (loss) not attributable to reportable segments.

Consolidated

Profit and Loss Statement (YoY)

(in millions of yen)

	Q2 FY2023/12 [Composition ratio]	Q2 FY2024/12 [Composition ratio]	Difference	Main factors
Revenue	**3,281** [100.0%]	**3,815** [100.0%]	**533**	
Cost of sales	1,079 [32.9%]	1,254 [32.9%]	175	Increase in technical personnel, salary, subcontract costs, material costs, etc.
Gross profit	2,202 [67.1%]	2,561 [67.1%]	358	
Selling, general and administrative expenses	969 [29.5%]	1,207 [31.7%]	238	Increase in sales and administrative employees and pay raise, advertising expenses, and depreciation expenses, etc.
Research and development	19 [0.6%]	45 [1.2%]	26	
Other profit (loss)	(38) [(1.2%)]	1 [0.0%]	39	
Operating profit	**1,175** [35.8%]	**1,309** [34.3%]	**134**	
Finance profit (loss)	67 [2.0%]	135 [3.5%]	67	
Profit before tax	**1,242** [37.9%]	**1,444** [37.9%]	**201**	
Profit	**853** [26.0%]	**990** [26.0%]	**137**	
Profit attributable to owners of the parent	**857** [26.1%]	**995** [26.1%]	**138**	

Statement of Financial Position (vs. End of Previous Fiscal Year)

(in millions of yen)

	FY2023/12	Q2 FY2024/12	Difference
Current assets	**10,920**	**11,516**	**596**
Cash and cash equivalents	8,707	9,450	742
Trade and other receivables	998	844	(153)
Other current assets	1,215	1,221	6
Non-Current Assets	**1,452**	**1,240**	**(212)**
Property, plant and equipment	731	607	(123)
Intangible assets	83	85	2
Other	638	547	(91)
Total assets	**12,373**	**12,757**	**383**

	FY2023/12	Q2 FY2024/12	Difference
Total liabilities	**3,489**	**3,331**	**(157)**
Current liabilities	3,143	3,062	(80)
Contract liabilities	1,759	1,741	(17)
Income tax payable	229	336	107
Trade and other payable	455	307	(148)
Other current liabilities	699	677	(21)
Non-current liabilities	346	268	(77)
Total equity	**8,884**	**9,425**	**541**
Equity attributable to owners of the Parent	8,884	9,430	546
Non-controlling interests	0	(4)	(4)
Total liabilities and equity	**12,373**	**12,757**	**383**

News Release

CS	Jul 5	Cloud-based ERP "ZAC" participates in "Back Office DXPO Tokyo '24," an IT and DX exhibition
CS	Jun 14	Released "Subscription Management Option," streamlines contract and billing management tasks unique to subscription businesses
CS	Jun 7	SaaS management tool "dxeco" integrated with Autify, a test automation tool
MS	May 31	Presents at "Overseas Business EXPO Osaka" Seminar Supporting Outbound and Inbound Business
MS	May 22	Certified as "Select" Sales Partner for the first half of 2024 in the "LINE Yahoo Partner Program"
CS	May 22	Obtained "System and Organization Controls 1 (SOC1) for entrusted operations" under Reforma PSA
CS	May 15	Cloud-based ERP "ZAC" starts offering "HubSpot Integration Option"
CS	May 10	Cloud-based ERP "ZAC" starts offering new option "IT Asset Management Option"
CS	Apr 12	Cloud-based ERP "ZAC" and all-in-one competitive analysis tool "Semrush," exhibit at "Japan IT Week," Japan's largest IT and digital exhibition
CS	Apr 3	SaaS management tool "dxeco" integrates with rakumo, Google Workspace's cloud extension tool

Business Segment Topics

02

Business Overview

Cloud Solutions (CS)

Development and provision of cloud services, including
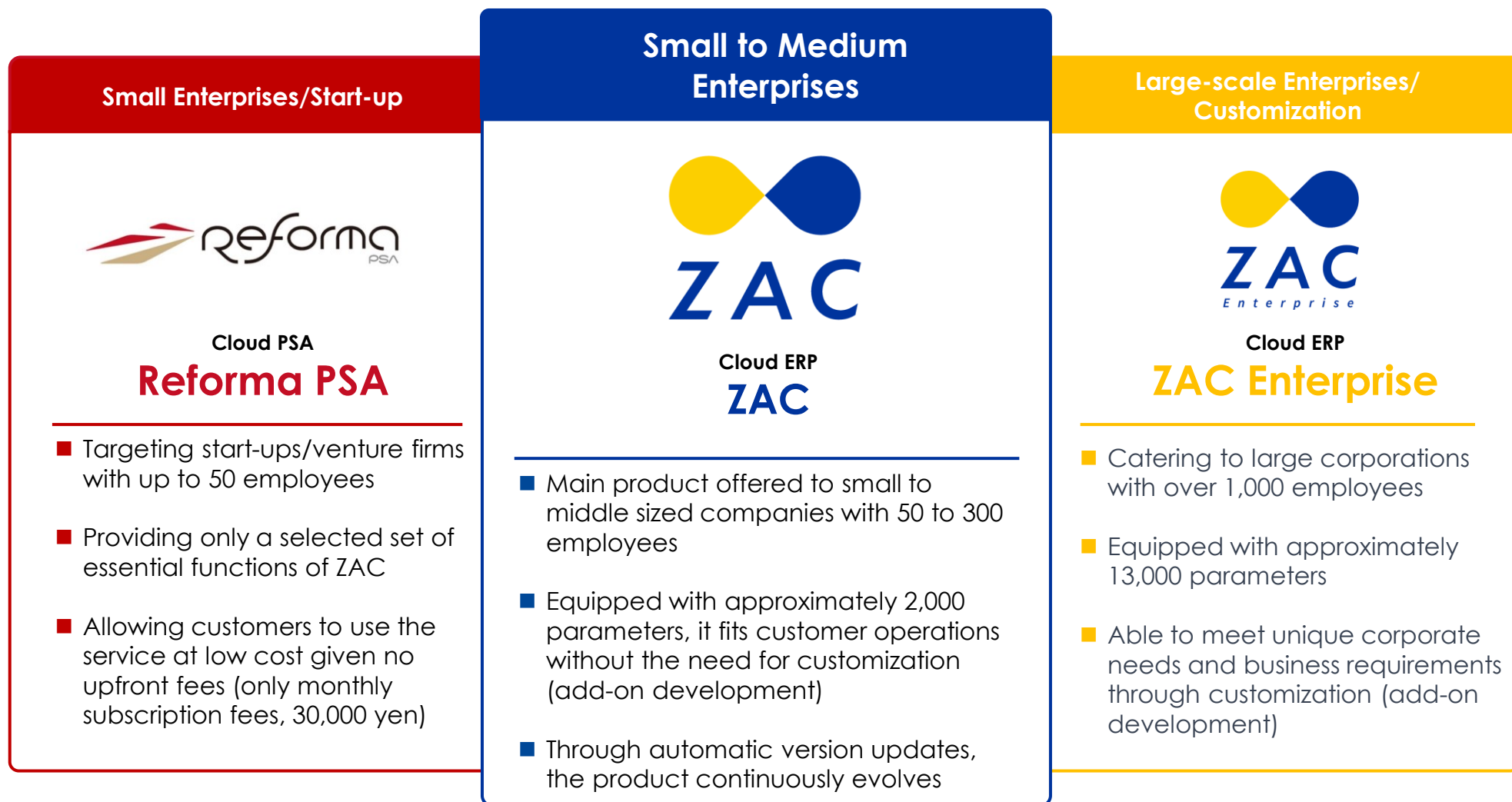
ZAC   Reforma PSA

Marketing Solutions (MS)

Provision of services related to customer marketing support, including digital advertising, system production, web production, and more.
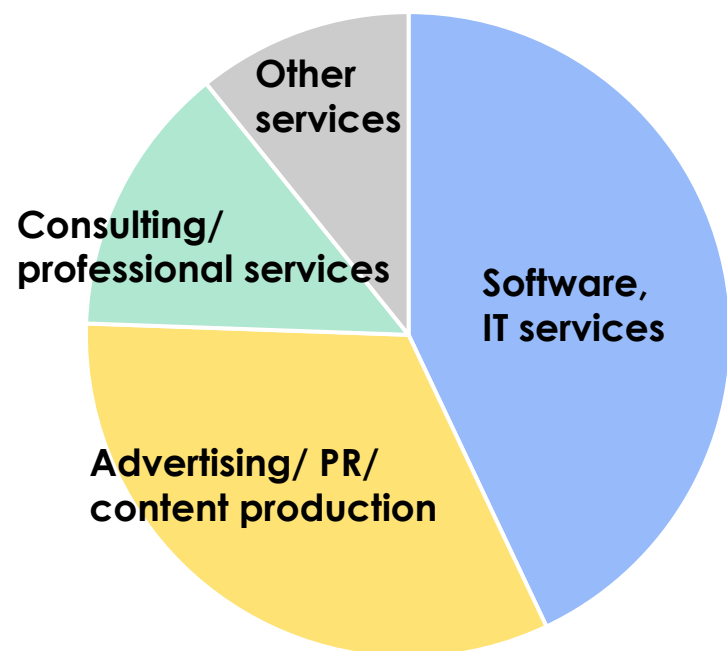
CLOUD SOLUTIONS

Cloud Solutions

Cloud ERP "ZAC", Cloud PSA "Reforma PSA"

We provide three types of cloud-based integrated systems tailored to the size of the enterprise. The systems streamline business processes and facilitate company-wide information sharing.

Small Enterprises/Start-up

Cloud PSA
Reforma PSA

- Targeting start-ups/venture firms with up to 50 employees

- Providing only a selected set of essential functions of ZAC

- Allowing customers to use the service at low cost given no upfront fees (only monthly subscription fees, 30,000 yen)

Small to Medium Enterprises

Cloud ERP
ZAC

- Main product offered to small to middle sized companies with 50 to 300 employees

- Equipped with approximately 2,000 parameters, it fits customer operations without the need for customization (add-on development)

- Through automatic version updates, the product continuously evolves

Large-scale Enterprises/ Customization

Cloud ERP
ZAC Enterprise

- Catering to large corporations with over 1,000 employees

- Equipped with approximately 13,000 parameters

- Able to meet unique corporate needs and business requirements through customization (add-on development)

Cloud Solutions

Industry-Specific ERP

ZAC has been implemented in a cumulative total of over 1,000 companies, primarily in the software, IT services, and advertising industries.

(As of June 30, 2024)

Recently, orders from the software and IT services industries have increased.
Approximately 40% of the total number of orders received come from the IT service industry, and 30% come from the advertising industry.

Software/system development, and IT services

JAL INFOTEC · 住友林業情報システム · UEL Corporation · 株式会社 KSK · 面白法人 カヤック · SynergyMarketing

Advertising/PR/content production

KEIKYU AD ENTERPRISE · KEIO AGENCY · 1→10 · ITAD TOKYO AD AGENCY · NISSEN · 株式会社 静鉄アド・パートナーズ SHIZUTETSU AD. PARTNERS S.A.P. · 東京テアトル株式会社

Consulting/professional services

ASK TOTAL ADVISORS & SUPPORTING KNOWLEDGE · KRI · UEYES design

Other services

JMC · WASEDA Academic Solutions · INA 株式会社 INA 新建築研究所 Institute of New Architecture

Overview of Cloud ERP ZAC - Functions

Specialized in Front Office Operations, Standard Features Fulfill Industry-Specific Requirements

*Reforma PSA provides some of ZAC's key features.

Industry-Specific Integrated ERP

ERP systems can be divided into single-function general-purpose systems applicable across industries, and **multi-function integrated systems** merging industry-specific functions.

ZAC / Reforma PSA is a **multi-function integrated system** designed to meet the specific needs and challenges of customers in the IT services, advertising, and consulting industries.

Positioning Map by Industry/Business Domain

Advantages of Cloud-Based Systems in Functional Scalability

Since 2006, we have accumulated approximately 13,000* parameters (functional components) to meet unique customer demands.

Continuously adding the latest features in response to customer and market needs

Combining necessary features to build the optimal system for each company without additional development

ZAC

Multiple added functions

Company A

Company B

Company C

W X

Y Z

X Y

Advantages of industry-specific parameter design

POINT1 (From the customer's perspective) Access to a customized system at a low cost and with a short delivery time, making specification changes, such as adding new features, easier

POINT2 (From our perspective) Ability to horizontally deploy new features or functionality developed for individual customers, resulting in efficient sales proposals and feature delivery

*We provide about 2,000 functional parameters in ZAC and about 13,000 functional parameters in ZAC Enterprise.

Provide Regular Version Updates

Despite being a large-scale system with approximately 2,000 functional parameters, ZAC undergoes regular version upgrades, continuously offering enhancements in functionality and design, as well as new features.

Regular version upgrades
to improve customer satisfaction,
reduce **Customer Churn Rate**
and increase **ARPA** and **NRR**.

Health Score and Market Customer Needs Analysis

Product Development

New Feature Offering

Customer Satisfaction

Regular Version Updates

*Approximately 2,000 functional parameters are available for ZAC and 13,000 for ZAC Enterprise.

ZAC Enables Visibility of Project-Based Labor Costs

KAYAC Inc.
<App and Game Development Industry>

Renowned for unique management methods like "dice pay," the company develops content businesses, producing innovative social games and smartphone apps, and hosting special exhibitions such as UNKO MUSEUM. Its performance and scale expand annually.
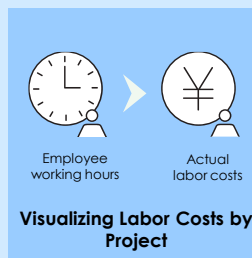
Challenges Prior to 2010 Implementation of ZAC Enterprise:

Manual Cost Calculation in Excel Reaches Its Limit Due to Scaling Up
The company managed project-specific man-hour data using Excel files.
However, a rapid increase in the workforce made it challenging to manually calculate costs by linking accounting data (labor costs) with project-specific man-hours.

Benefits Following the 2010 Implementation of ZAC Enterprise:

Employee working hours → Actual labor costs

Visualizing Labor Costs by Project

Easier Understanding of Labor Costs by Project
Centralizing the management of man-hours at a single ZAC location has streamlined the process, allowing for quick and efficient allocation of labor costs by project.

Future

Past

Improved Accuracy of Management Control

Enabling Data-Driven Decision-Making
The implementation of ZAC Enterprise has improved the accuracy of management data, enabling intuitive decisions to be backed by reliable information.

Kayac Inc. adopted ZAC Enterprise in 2010, starting with attendance and man-hour management, and gradually adding sales, purchasing, and expense features.
In 2023, to meet legal changes and enhance management for their growing group, they switched to ZAC, launched in 2019.
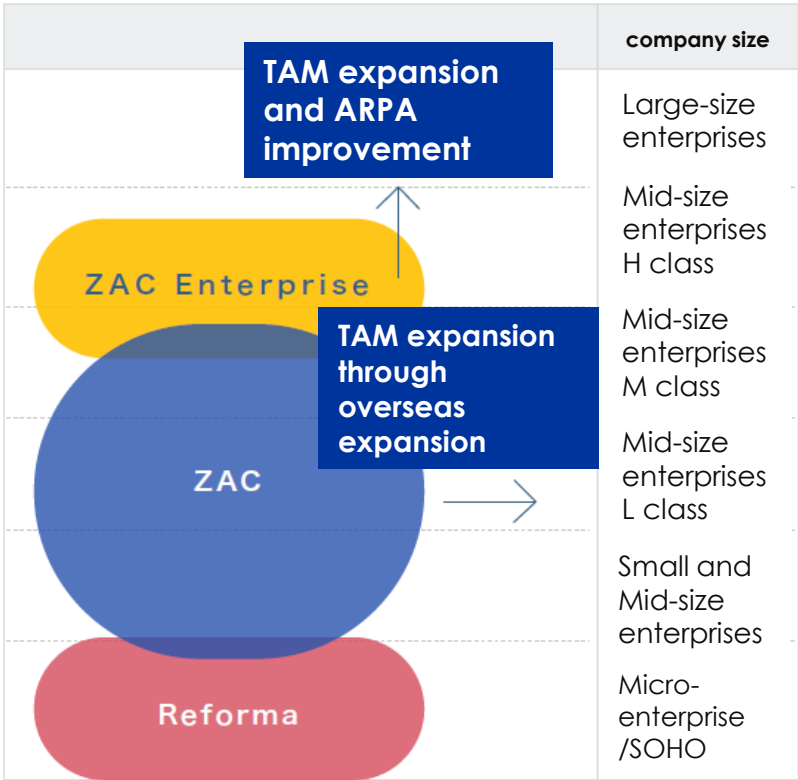This reflects the state during ZAC Enterprise's implementation.

Strengthen Development for Further Market Expansion

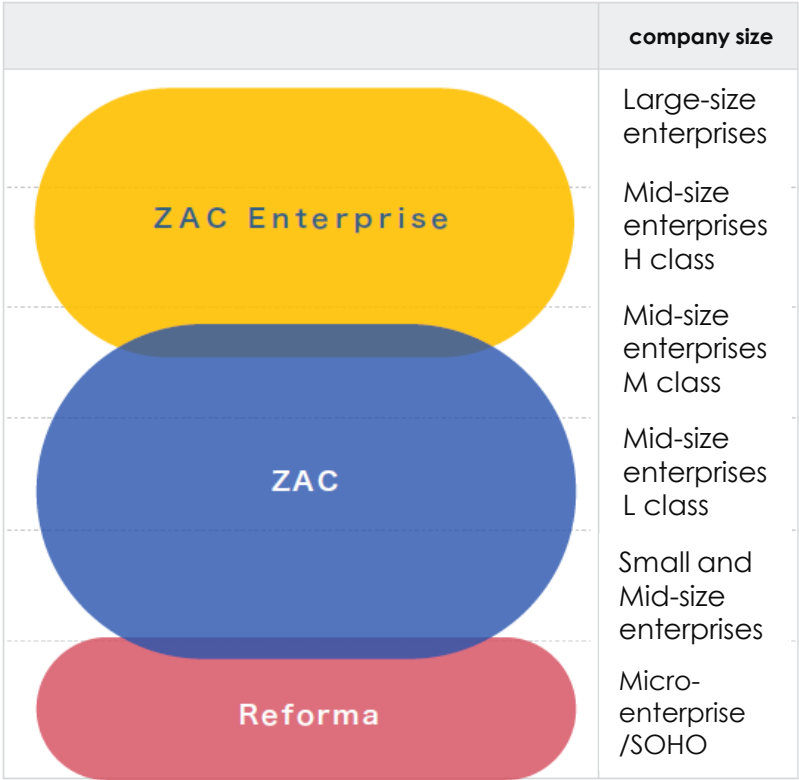## 44,000 domestic target companies, we are targeting larger companies and overseas markets

We will review our system configuration and enhance our internationalization functions to propose solutions to large enterprises with 10,000 employees and small- to medium-sized enterprises located overseas by 2026.

Market Expansion Image (TAM)

Present

	company size
TAM expansion and ARPA improvement	Large-size enterprises
ZAC Enterprise	Mid-size enterprises H class
TAM expansion through overseas expansion	Mid-size enterprises M class
ZAC	Mid-size enterprises L class
	Small and Mid-size enterprises
Reforma	Micro-enterprise /SOHO

2026

	company size
ZAC Enterprise	Large-size enterprises
	Mid-size enterprises H class
	Mid-size enterprises M class
ZAC	Mid-size enterprises L class
	Small and Mid-size enterprises
Reforma	Micro-enterprise /SOHO

*Domestic target companies are ZAC, ZAC Enterprise and Reforma's target industries, such as IT, advertising and consulting, with approximately 1 to 2,000 employees.

Cloud Solutions

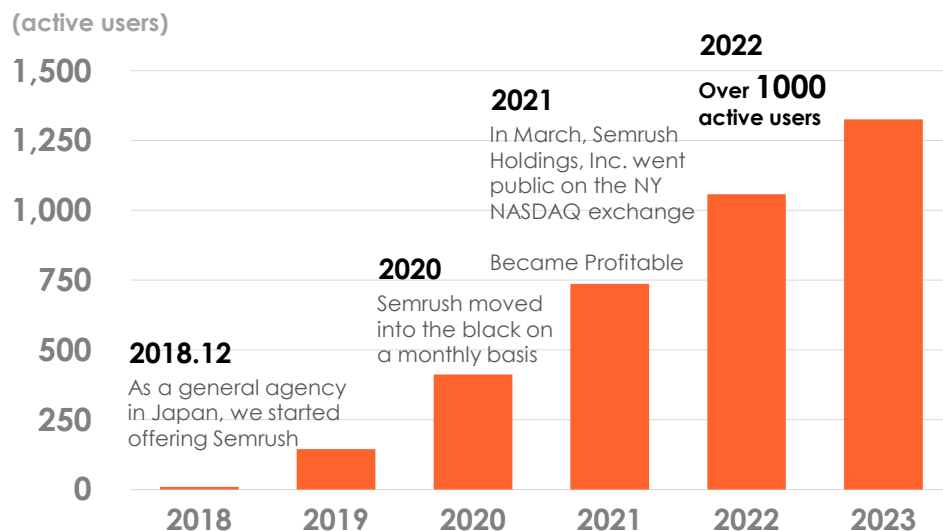# Boost Overseas Tool Variety and Revenue

We continue to make progress in localizing overseas tools and handling domestic sales representation, with preparations for further expansion of overseas tools following Semrush.

SEMRUSH

10 million Registered Account in the world**

All-in-one competitive analysis tool for

SEO/ Ad Analysis/ SNS Competitive Analysis

Number of Active Users*

(active users)

2022
Over **1000**
active users

2021
In March, Semrush Holdings, Inc. went public on the NY NASDAQ exchange

2020
Became Profitable

Semrush moved into the black on a monthly basis

2018.12
As a general agency in Japan, we started offering Semrush

1,500	
1,250	
1,000	
750	
500	
250	
0	

2018　2019　2020　2021　2022　2023

**Active users exclude free trial users and canceled users

Target in 2024

Active users in Japan have steadily grown since launch

Although the churn rate remains low, we aim to **increase the number of users and the revenue growth rate** with **improving the figures** in 2024.

Initiatives

Personnel enhancement	Expanding awareness, branding, web advertising Investment in advertising	By expanding domestic data Functional enhancement

Next → Plan to expand a range of foreign-made tools next to Semrush

** Total number of users including trial users

Cloud Solutions

SaaS Management Tool "dxeco"

"dxeco" visualizes contract information, usage status, account information, and Shadow IT for SaaS applications used within companies.

It optimizes SaaS costs, management and understanding of security risks, and streamlining of account inventory tasks.

- Implemented team management features with customizable permissions for each organizational level.
- Praised during ISMS audits and internal reviews for excellence.
- Continuously adding new features in response to customer feedback.

dXECO

Case study

Pre-implementation Challenges	Post-implementation Impact
● Inability to comprehensively track internal SaaS account information	● Creation of a comprehensive management ledger without gaps through API and CSV integration
● Difficulty in understanding SaaS adopted and managed at the department level	● Capability to gain a comprehensive understanding of all SaaS in use across the company, including Shadow IT

*While monetization may take time, we prioritize enhancing features based on user organizations' feedback.

Cloud Solutions

Subscription Business Management System "Hayasub"

Hayasub is a sales management system designed for BtoB subscription businesses. It streamlines the sales management process by handling diverse pricing models (flat/metered fees) and contract terms (annual/monthly, special discount).

- Systematizes sales management from prospecting to invoicing to reduce waste
- Manages varied fee structures, contract terms, and billing
- Centralizes sales management by integrating with ZAC and other systems

Issues that can be solved and expected

Challenges Before Implementation	Effects After Implementation
● Manual billing processes lead to errors, including missed and inaccurate charges.	● Systematization ensures accurate billing amid complex fee and contract structures.
● Key subscription business KPIs like MRR and churn rates are not calculated accurately or promptly.	● Centralized management enables real-time visualization of key subscription metrics (in development).

Segment Revenue and Operating Margin [New Segment]

FY2024/12 sees a temporary dip in margins due to preparation for 2026 global expansion

We are assessing market research for destination selection and participation in overseas exhibitions, incorporating associated expenses into our financial planning.

(in millions of yen)

dxeco, Semrush, and other products
Revenue from sales of dxeco and revenue from sales of other companies' software such as Semrush as agent, etc.

ZAC ERP installation consultation and customization
Installation support service related to "ZAC" and additional development required at the time of installation

ZAC license fee (one-timepurchase-typecontract)
Revenue of software license
The discontinuation of one-time purchase-type contract is expected to cause a decrease, with revenue from this format expected to disappear entirely by 2027

Maintenance fee, SaaS and other monthly service fees
ZAC system maintenance, cloud provisioning, and license monthly fees
Post-2023 ZAC license fees booked in this segment after ending one-time purchase-type contracts

Reforma PSA
Provision of monthly license for "Reforma PSA"

* Starting from FY2024/12 Q1, the data in this graph for FY2023/12 and beyond have been revised to reflect the change in reporting segments.
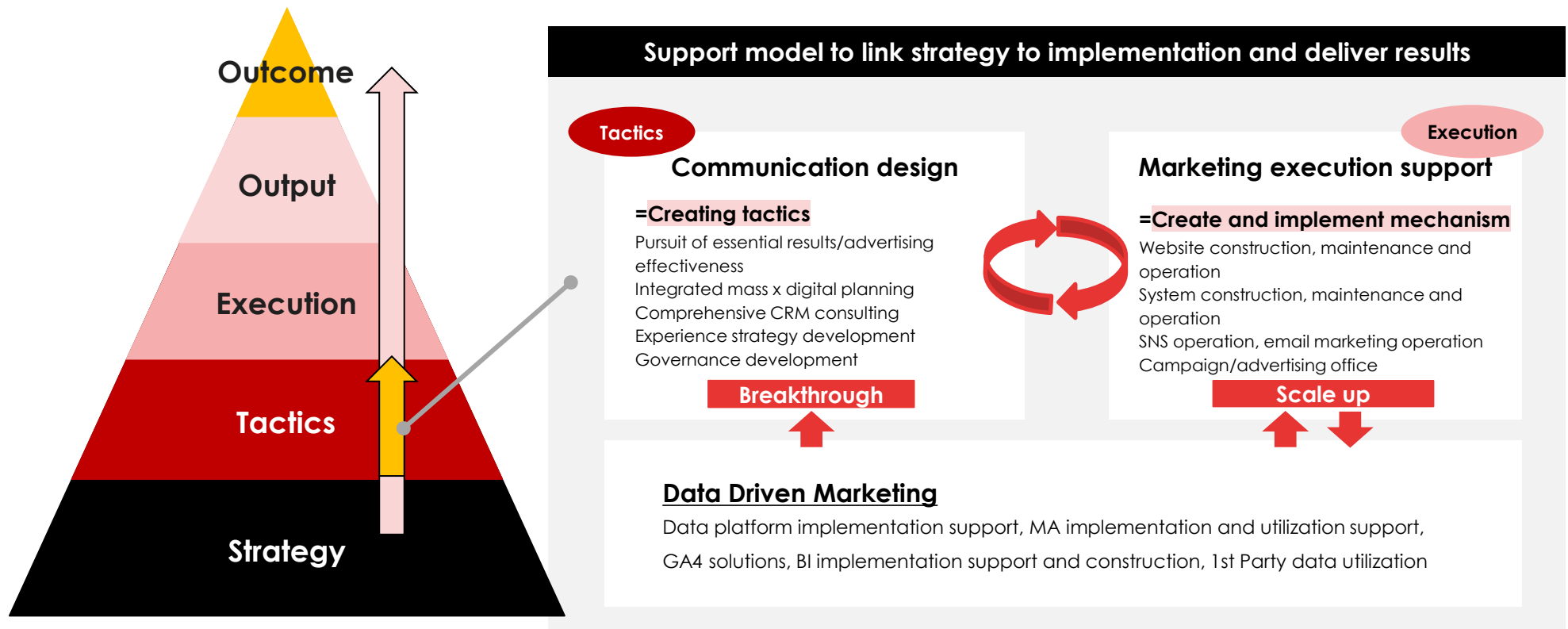
Marketing Solutions

Building Support Model as "Execution-Oriented Company"

Provide a mechanism to translate the client's marketing strategy into concrete actions

As the digital marketing market expands, we serve MS businesses as "an execution company". This is to ensure clients' strategies to make sure that their strategies do not just remain theoretical.

We provide a support model that generates ongoing results through communication design (effective tactical planning) and marketing execution support (implementing and scaling tactics).

Our Support Model as an "Execution-Oriented Company" (conceptual diagram)

Outcome

Output

Execution

Tactics

Strategy

Support model to link strategy to implementation and deliver results

Tactics

Communication design

=Creating tactics

Pursuit of essential results/advertising effectiveness
Integrated mass x digital planning
Comprehensive CRM consulting
Experience strategy development
Governance development

Breakthrough

Execution

Marketing execution support

=Create and implement mechanism

Website construction, maintenance and operation
System construction, maintenance and operation
SNS operation, email marketing operation
Campaign/advertising office

Scale up

Data Driven Marketing

Data platform implementation support, MA implementation and utilization support, GA4 solutions, BI implementation support and construction, 1st Party data utilization

Digital Marketing Consultation for National Brands

Aeon Co., Ltd. And Nissan Motor Co., Ltd. are the main customers.

Examples of ORO's Support for Implementing Marketing Strategies

Strong in supporting organizations to execute strategy and to deliver results

- **Tactical Planning**: Tailored digital marketing consulting and execution per regional characteristics.
- **Systematization**: Developing and offering dashboards that enable the visualization of marketing ROI across all areas.
- **Execution Support**: Designing and implementing customer acquisition strategies for nationwide stores.

One-stop digital marketing for store-based businesses

Nissan Motor Co., Ltd.

<Manufacturing and sales of automotive products>

Nissan, renowned for its technological prowess, is a leading player in the automobile industry, particularly in electric vehicle innovation. The Nissan sales company group, boasting 115 companies, operates around 2,100 dealerships across all prefectures as of April 2024.

Issues to be Improved

No Unified System to Govern Nationwide Sales Companies
Each sales company managed its advertising independently based on regional car demand. This resulted in some advertisements not aligning with the brand image that Nissan Motor Co. aimed for.

Challenges in Aggregating Ad Distribution Results
Since sales companies across the nation reported their advertising results separately, the reporting process created significant burdens. Moreover, this made it difficult for Nissan to comprehensively track and analyze the overall data.

Digital Marketing Support by ORO

Advertisements with a Unified Brand Image

Enabling Regional Advertising with Brand Integrity
We support each sales company in aligning ad production and distribution with the manufacturer's marketing strategies and brand image. This system enables tailored advertising to meet local needs while maintaining brand integrity.

Optimized BI Environment for Quick Insights

Optimized BI Environment for Quick Insight
A Business Intelligence (BI) environment has been established to allow for seamless, comprehensive analysis of national marketing outcomes. This system reduces reporting burdens for sales companies and enables manufacturers to easily oversee distribution results with a strategic perspective.

Strengthen the Structure at Overseas Business Locations

Strengthening Both Sales and Production to Improve Profitability

Enhancing the Sales Structure

By bolstering the recruitment of sales personnel and strategic planners, the company aims to enhance proposal quality to secure contracts through direct appointments and annual deals.

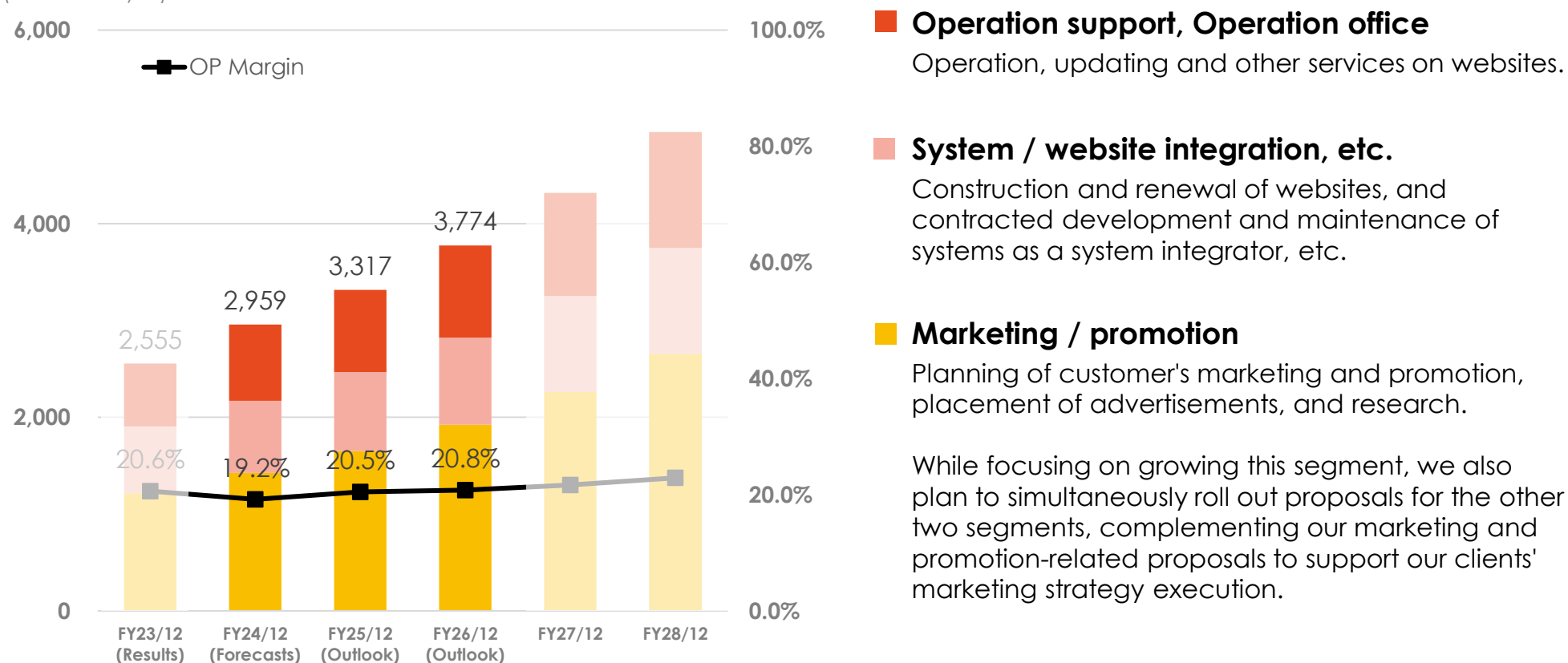### Reinforcing the Production System

With growing demand for outsourced services from advertising agencies, we are strengthening our structure, including recruitment, to boost revenue. At the same time, we aim to improve profitability by promoting in-house production.

Segment Revenue and Operating Margin [New Segment]

Revising strategies in both domestic and international markets to recover revenue growth.

We aim to secure an operating margin of around 20%, focusing on growth across all three segments.

(in millions of yen)

OP Margin

- **Operation support, Operation office**
  Operation, updating and other services on websites.

- **System / website integration, etc.**
  Construction and renewal of websites, and contracted development and maintenance of systems as a system integrator, etc.

- **Marketing / promotion**
  Planning of customer's marketing and promotion, placement of advertisements, and research.

  While focusing on growing this segment, we also plan to simultaneously roll out proposals for the other two segments, complementing our marketing and promotion-related proposals to support our clients' marketing strategy execution.

* Starting from FY2024/12 Q1, the data in this graph for FY2023/12 and beyond have been revised to reflect the change in reporting segments.

Company Profile

03

Corporate Philosophy

With the commitment of all employees
in creating what they can proudly present to the world
(namely our organization with its products, and services),
oRo's goal is to continue to deliver
more happiness and joy to more people
(coworkers, families, business partners, shareholders and society),
and lead all our employees to self-fulfillment
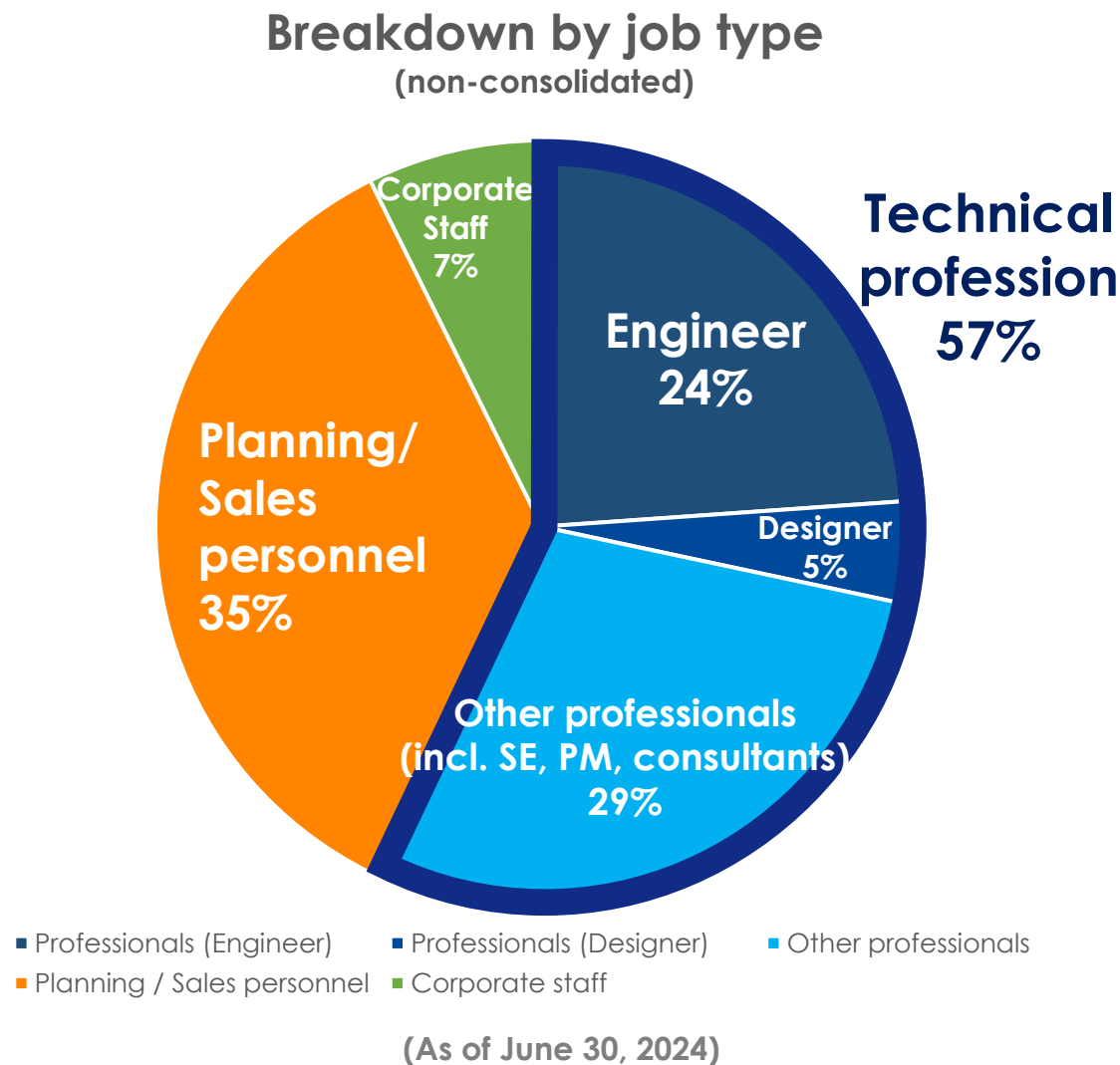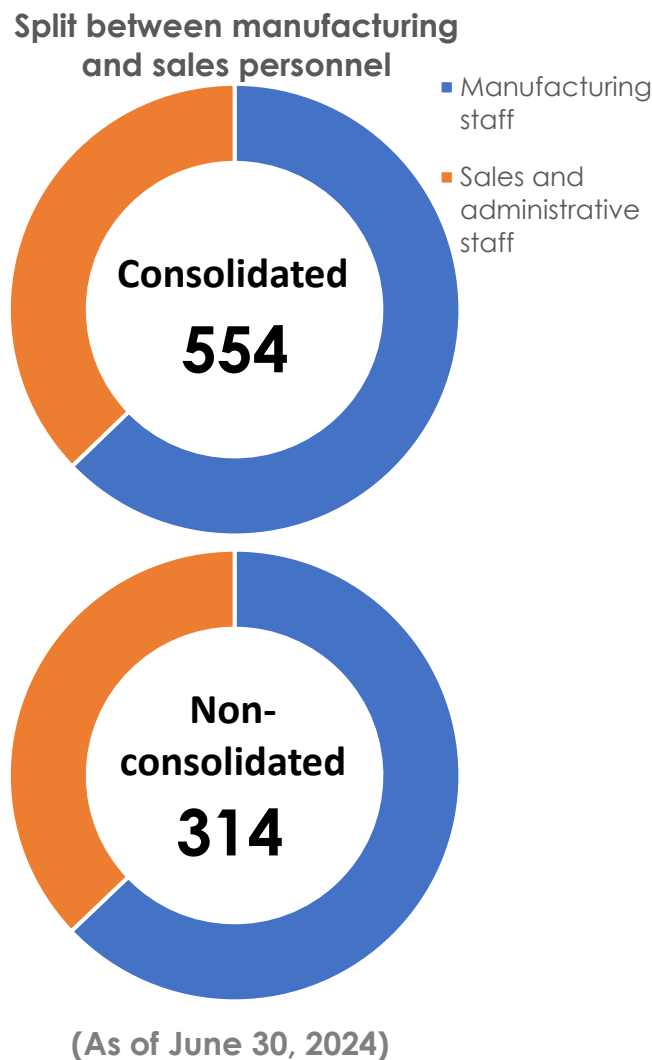through our efforts to achieve this goal.

History

1999   Establishment of oRo Co., Ltd

2004   Launched website management and maintenance operations

2005   Acquired the Information Security Management Systems (ISMS) certification

2006   Developed and launch sales of ZAC Enterprise, an SaaS-compliant ERP package

2007   Acquired certification to use the Privacy Mark
Opened the Osaka branch (currently, the Nishinihon branch office)

2008   Opened the Hokkaido branch office

2010   Established the Chinese local corporation oRo TECHNOLOGY (DALIAN) CO., LTD. (currently, a consolidated subsidiary)
Acquired the Environmental Management Systems (EMS) certification

2012   Opened the Miyazaki Support Center
Opened the Chubu branch office
Established the Malaysian local corporation ORO Malaysia Sdn. Bhd. (currently, a consolidated subsidiary)

2013   Established the Vietnamese local corporation ORO Vietnam Co., Ltd. (currently, a consolidated subsidiary)

2014   Established the Thai local corporation ORO (Thailand) Co., Ltd. (currently, a consolidated subsidiary)

2016   Established the Taiwanese local corporation ORO TAIWAN CO., LTD. (currently, a consolidated subsidiary)
Established the Chinese local corporation DALIAN oRo ADVERTISING CO., LTD. (currently, a consolidated subsidiary)
Established oRo Miyazaki Co., Ltd. (currently, a consolidated subsidiary)

2017   Listed on the TSE Mothers Section

2018   Listing upgraded to the TSE 1st Section
oRo Digital Asia Pte. Ltd. (formerly Crossfinity Digital Asia Pte. Ltd.) becomes a subsidiary
oRo Digital Asia Sdn. Bhd. (formerly Crossfinity Digital Asia Sdn. Bhd.) becomes a subsidiary
Opening of the Fukuoka branch

2019   Established oRo code MOC Co., Ltd. (currently, a consolidated subsidiary)

2022   Transition to TSE Prime Market

Organizational Structure

Organizational structure promotes "technology x creativity" solutions

Split between manufacturing and sales personnel

- Manufacturing staff
- Sales and administrative staff

Consolidated
554

Non-consolidated
314

(As of June 30, 2024)

Breakdown by job type
(non-consolidated)

Technical profession
57%

Corporate Staff **7%**

Engineer **24%**

Designer **5%**

Other professionals (incl. SE, PM, consultants) **29%**

Planning/ Sales personnel **35%**

- Professionals (Engineer)
- Professionals (Designer)
- Other professionals
- Planning / Sales personnel
- Corporate staff

(As of June 30, 2024)

Material Issues

To realize our corporate philosophy, we have identified the three categories of material issues that we must address in order to achieve sustainable growth: business, human resources, and environment.

Sustainability Policy

Realizing our corporate philosophy requires our own sustainable growth in the first place.

Our growth cannot be achieved without delivering more happiness and joy to co-workers, families, business partners, shareholders, and society at large.

For this reason, oRo will engage in corporate activities to realize its corporate philosophy by aligning its initiatives for the three materiality categories of **Business**, **Human Resources**, and **Environment** from the perspective of sustainability, while monitoring the progress of these initiatives.

Human Resources Initiatives (1/2)

In line with our 'oRo GROUP HUMAN RESOURCES POLICY', we are advancing diversity initiatives, targeting a 15% ratio of women in managerial positions by 2027 to diversify our core personnel.

oRo GROUP HUMAN RESOURCES POLICY

oRo's goal is to continuously develop creative and autonomous human resources and therefore to deliver more happiness and joy to more people through creation of organization, products, and services.

1. We do not discriminate on the basis of race, creed, gender, social status, nationality, disability, employment type, age, religion, etc.
2. We evaluate our employees/ business partners fairly and treat them appropriately.
3. We respect diversity. We will create a culture where everybody can think on their own, demonstrate their abilities and creativity, and achieve self-fulfillment.
4. We pursue the physical and mental well-being of our employees and their family, and support career development, health, and personal fulfillment.

Raising the percentage of women in managerial positions

Since February 2023, we have established a goal of achieving a 15% ratio of women in managerial positions by 2027. As of December 31, 2023, we have reached a performance level of 7.9%, which aligns closely with our plan.

Moving forward, we will concentrate on improving our workplace by accommodating diverse career paths and work styles, as well as striving to create a more attractive work environment. Through these enhancements, we aim to increase the proportion of female managers.

The Percentage of Women in Managerial Positions

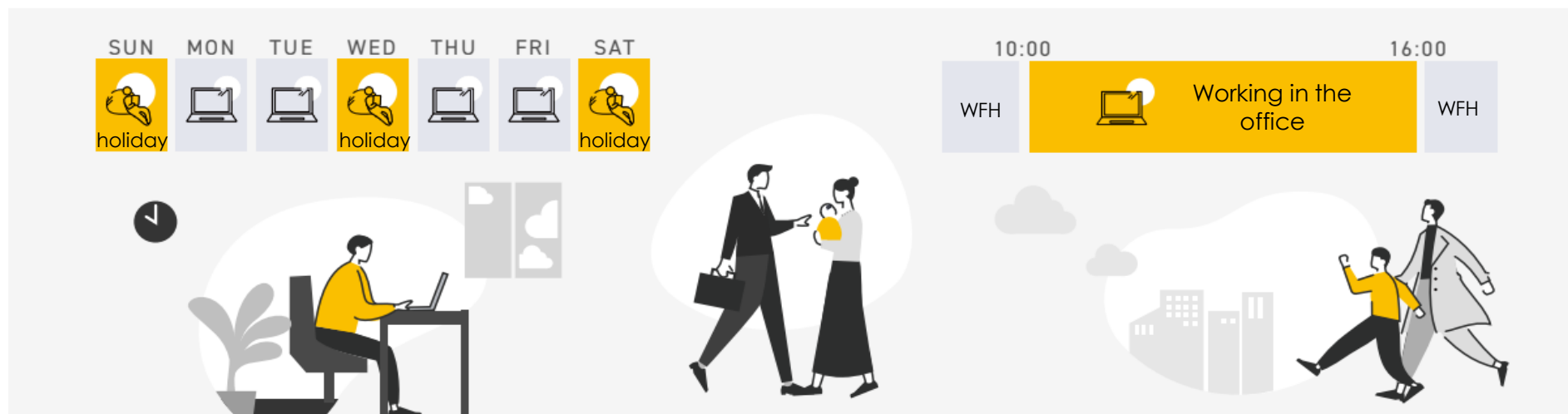# Human Resources Initiatives (2/2)

We promote "Health & Productivity Management" to empower employees to play an active role in the company. Offering diverse and flexible work styles enhances self-fulfillment.

Selective four-day work week "Sun Life"

This system allows applicants to choose between an 8-hour or 10-hour work day and adopt a four-day work week. Eligible employees can choose Tuesday, Wednesday, or Thursday as their additional day off.

Childcare support system "Core Life"

Our childcare support system enables flexible office hours from 10:00 to 16:00, and the option to work from home for the rest, promoting work-life balance and aiding in managing family and childcare duties.
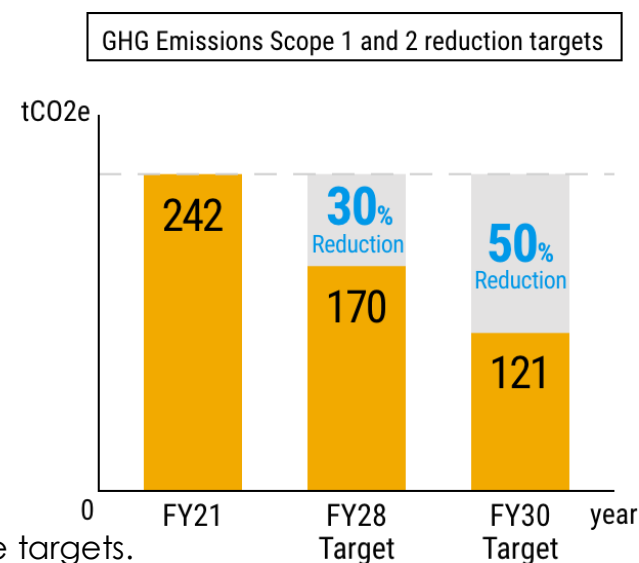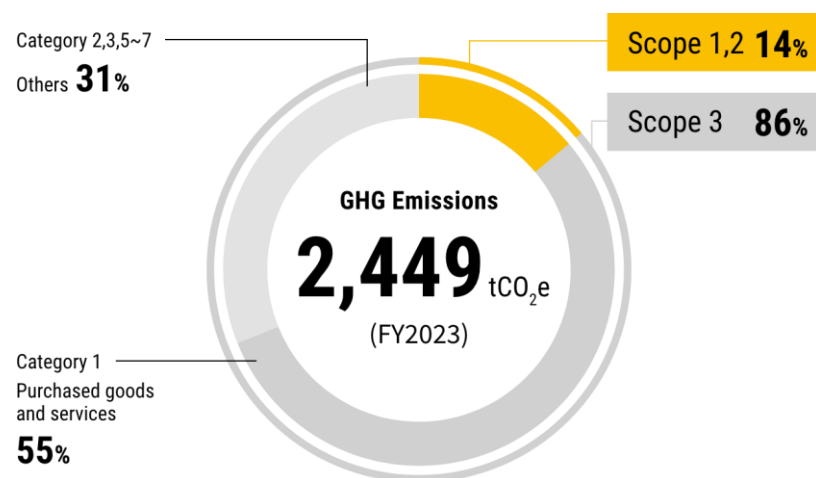

*Our company has certified as a Health & Productivity Management Outstanding Organization 2023 (Large Enterprise Category) for the second consecutive year, and oRo Miyazaki and oRo code MOC were also certified in the Small and Medium-Sized Enterprise Category.
And also we and oRo Miyazaki have received the "Kurumin" certification, which is awarded by the Japanese Ministry of Health, Labor and Welfare to companies that actively support employees in balancing work and family life.

Environment Initiatives

We believe that climate change will affect the growth of our business in the medium to long term. As we advance our business, we will also work to reduce greenhouse gas emissions and environmental impacts.

Greenhouse gas emission and reduction targets

Our GHG emissions in FY2023/12 were 2,449 tCO2e. We believe we can reduce Scope 1 and 2 emissions, which include our direct emissions and electricity use, through our own efforts. We will continue to implement specific measures, such as energy conservation, with the goal of achieving a 50% reduction* by 2030.

Category 2,3,5~7
Others **31**%

Scope 1,2 **14**%

Scope 3 **86**%

GHG Emissions

2,449 tCO$_2$e

(FY2023)

Category 1
Purchased goods
and services

55%

GHG Emissions Scope 1 and 2 reduction targets

tCO2e

242

30% Reduction

170

50% Reduction

121

0   FY21   FY28 Target   FY30 Target   year

*The targets are set with 2021 as the base year and Scope 1 and 2 as the targets.

Status of other initiatives

We have conducted a climate change scenario analysis based on TCFD recommendations and published the results on our website.

https://www.oro.com/en/ir/sustainability/environment/

Company Profile

Company Name	**oRo Co., Ltd.**
Listed Exchange	**Tokyo Stock Exchange Prime Market（Code: 3983）**
Representative	**Representative Director, President and CEO Atsushi Kawata**
Foundation	**January 20, 1999**
Head Office	**Meguro Suda Building, 3-9-1 Meguro, Meguro-ku, Tokyo 153-0063**
Capital	**1,193 million yen**
Business Portfolio	**Cloud Solutions (CS)** - Development and sales of cloud-based ERP "ZAC," "Reforma PSA," SaaS management tool "dxeco" - Domestic sales representation for SEO tool "Semrush" **Marketing Solutions (MS)** - Support for corporate marketing activities
Employees	**Non-consolidated 314 / Consolidated 554 (as of June 30, 2024)**
Branch	**Nishinihon Branch, Hokkaido Branch, Fukuoka Branch**
Group Company	**oRo Miyazaki Co., Ltd. oRo code MOC Co., Ltd. oRo TECHNOLOGY Co., Ltd. (DALIAN, SHANGHAI)** **DALIAN oRo ADVERTISING Co., Ltd. oRo TAIWAN Co., Ltd.** **oRo Malaysia Sdn. Bhd. oRo Vietnam Co., Ltd. oRo (Thailand) Co., Ltd.**

Attention on handling this material

- This presentation material contains the projections for the Company as well as its forward-looking plans and business goals. These statements are based on current assumptions regarding potential future events and developments, and we provide no guarantee that these assumptions are correct. Actual financial results could potentially differ significantly from what is shown in this presentation material due to various factors.

- Financial data stated in this presentation material are shown according to Japanese generally accepted accounting principles unless specified otherwise.

- The Company will not necessarily revise previously-issued releases on its future outlook regardless of the occurrence of future events unless it is required to do so by disclosure rules.

- Information on firms other than the Company is generally based on publicly-known information.

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